

# annual report 2022



Grand winner of our art against AIDS 2021 - Muhammad Ridhwan bin Mohd Yusof from Malaysia Institute of Art



# OUR MISSION

We continuously aim to build an organisation that responds to the changing views and needs of sexual health and to develop products that inspire better, healthier choices.

We champion social responsibility, not just as moral imperatives but to build better, stronger relationships with stakeholders within our communities.

We cultivate entrepreneurship, diversity and the desire to excel in the things we do.

# OUR VISION

To be the world's leading provider in sexual wellness by developing the most creative, inspiring and unique experiences for the global community.



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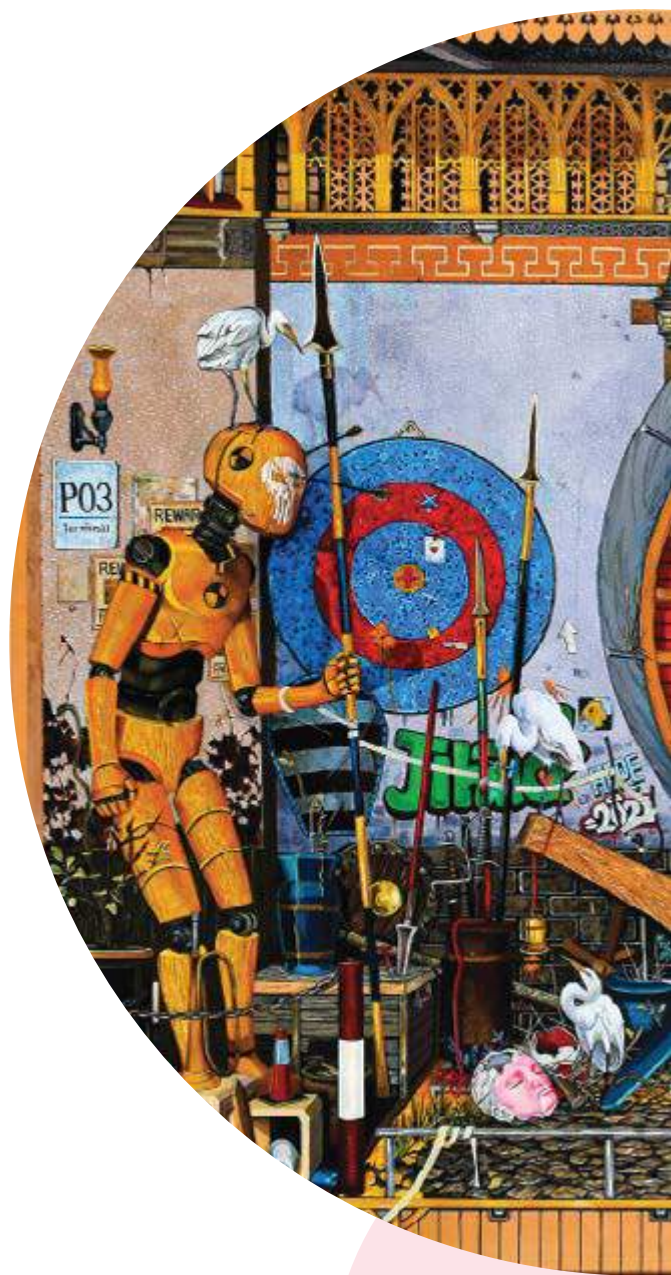
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# Corporate Information

## BOARD OF DIRECTORS

**Dato' Dr. Ong Eng Long @ Ong Siew Chuan**  
Chairman  
Senior Independent  
Non-Executive Director

**Professor Dato' Dr. Adeeba binti Kamarulzaman**  
Independent  
Non-Executive Director

**Dato' Edward Siew Mun Wai**  
Independent  
Non-Executive Director

**Lam Jiuan Jiuan**  
Non-Independent  
Non-Executive Director

**Goh Yen Yen**  
Non-Independent  
Non-Executive Director

**Goh Leng Kian**  
Executive Director

**Goh Miah Kiat**  
Executive Director  
Chief Executive Officer

### AUDIT COMMITTEE

**Dato' Edward Siew Mun Wai**  
Chairman  
Independent  
Non-Executive Director

**Dato' Dr. Ong Eng Long @ Ong Siew Chuan**  
Member  
Senior Independent  
Non-Executive Director

**Professor Dato' Dr. Adeeba binti Kamarulzaman**  
Member  
Independent  
Non-Executive Director

### RISK MANAGEMENT COMMITTEE

**Lam Jiuan Jiuan**  
Chairwoman  
Non-Independent  
Non-Executive Director

**Professor Dato' Dr. Adeeba binti Kamarulzaman**  
Member  
Independent  
Non-Executive Director

**Dato' Edward Siew Mun Wai**  
Member  
Independent  
Non-Executive Director

### REMUNERATION COMMITTEE

**Dato' Edward Siew Mun Wai**  
Chairman  
Independent  
Non-Executive Director

**Professor Dato' Dr. Adeeba binti Kamarulzaman**  
Member  
Independent  
Non-Executive Director

**Goh Yen Yen**  
Member  
Non-Independent  
Non-Executive Director

### NOMINATION COMMITTEE

**Professor Dato' Dr. Adeeba binti Kamarulzaman**  
Chairwoman  
Independent  
Non-Executive Director

**Dato' Edward Siew Mun Wai**  
Member  
Independent  
Non-Executive Director

**Lam Jiuan Jiuan**  
Member  
Non-Independent  
Non-Executive Director

### COMPANY SECRETARIES

**Lim Lee Kuan**  
(SSM PC No. 202008001079)  
(MAICSA 7017753)

**Teo Mee Hui**  
(SSM PC No. 202008001081)  
(MAICSA 7050642)

**Elizabeth Allison De Zilva**  
(SSM PC No. 202008002112)  
(MAICSA 7030086)

## Corporate Information

**REGISTERED OFFICE**

10<sup>th</sup> Floor, Menara Hap Seng  
No. 1 & 3 Jalan P. Ramlee  
50250 Kuala Lumpur, Malaysia  
Tel : +603-2382 4288  
Fax : +603-2382 4170

**MANAGEMENT OFFICE**

Lot 594, Persiaran Raja Lumu  
Pandamaran Industrial Estate  
42000 Port Klang  
Selangor Darul Ehsan  
Malaysia  
Tel : +603-3165 6688  
Fax : +603-3166 2000  
Email : karex@karex.com.my

**AUDITORS**

**KPMG PLT**  
**(LLP0010081-LCA & AF 0758)**  
Chartered Accountants  
Level 3, CIMB Leadership Academy  
No. 3, Jalan Medini Utara 1  
Medini Iskandar  
79200 Iskandar Puteri  
Johor, Malaysia  
Tel : +607-266 2213  
Fax : +607-266 2214

**BANKERS**

Bangkok Bank Public Company  
Limited  
CIMB Bank Berhad  
Hong Leong Bank Berhad  
HSBC Bank Malaysia Berhad  
Malayan Banking Berhad  
RHB Bank Berhad  
United Overseas Bank (Malaysia)  
Berhad

**STOCK EXCHANGE LISTING**

Main Market of Bursa Malaysia  
Securities Berhad  
Stock Name : KAREX  
Stock Code : 5247

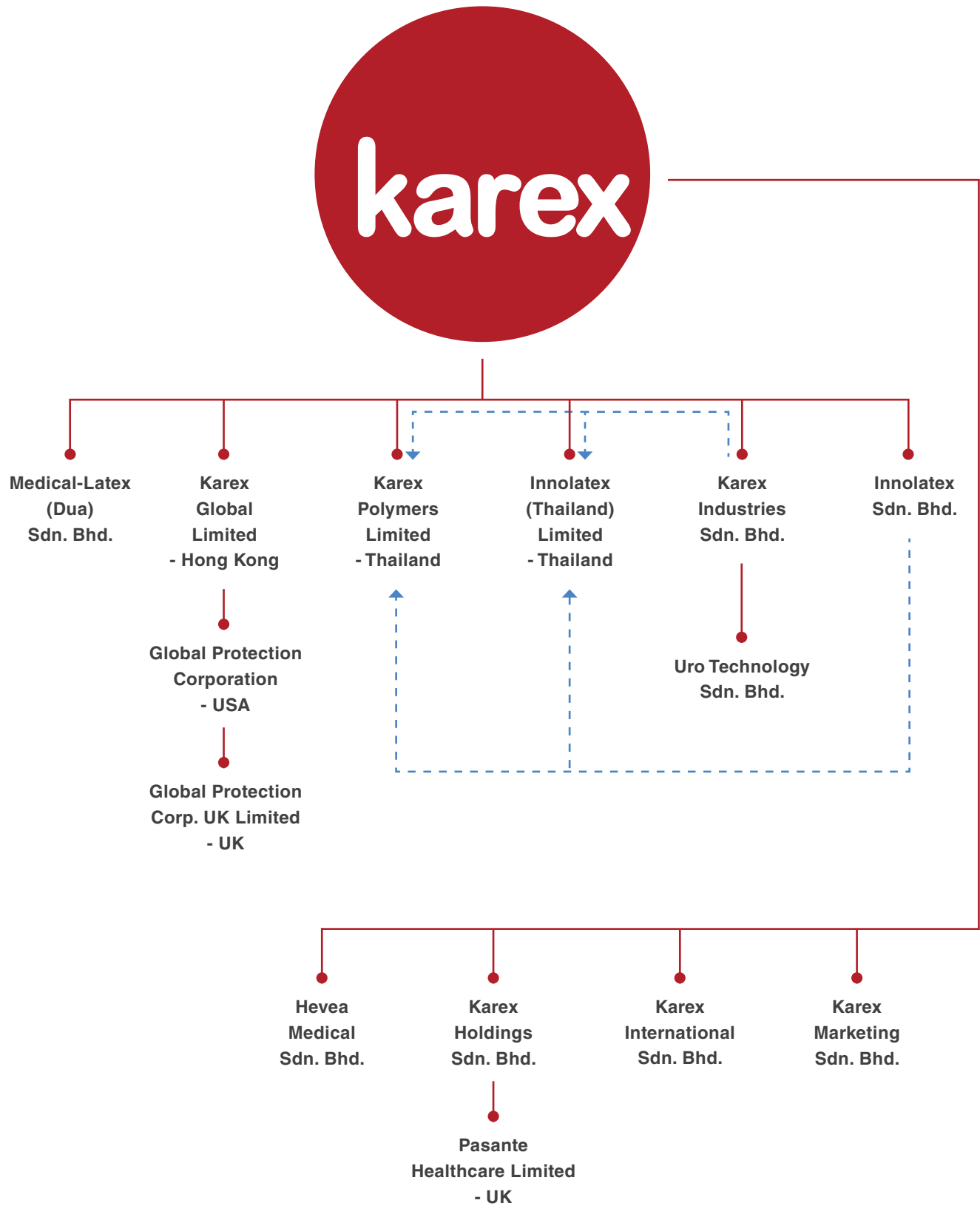
**SHARE REGISTRAR**

**Boardroom Share Registrars**  
**Sdn Bhd (199601006647 (378993-D))**  
11<sup>th</sup> Floor, Menara Symphony  
No. 5 Jalan Professor Khoo Kay Kim  
Seksyen 13  
46200 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia  
Tel : +603-7890 4700  
Fax : +603-7890 4670



# Corporate Structure

As at 30 September 2022



● 100%    ← - - - 1 share

# Key Strategies

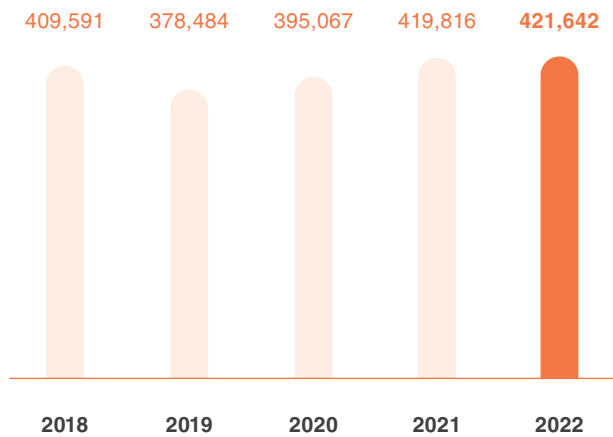
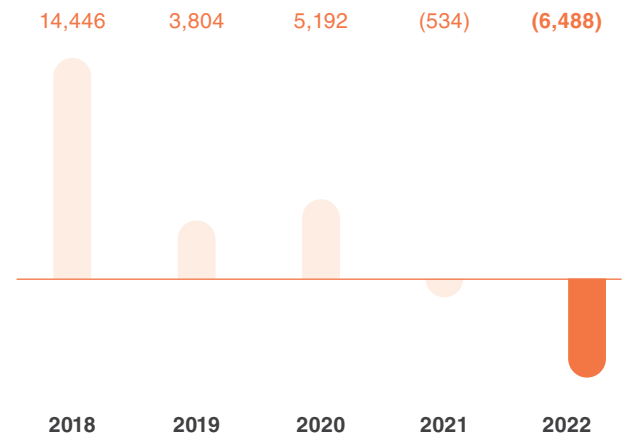
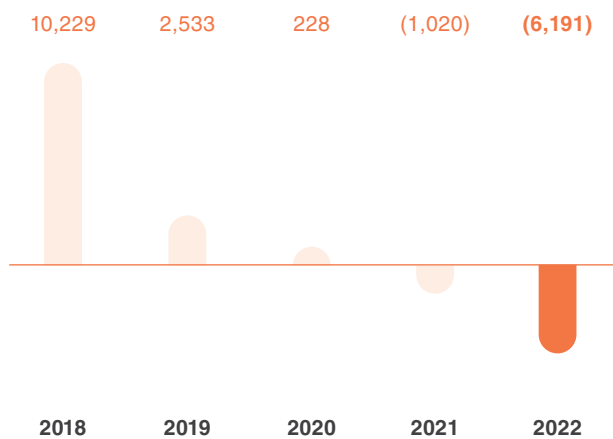
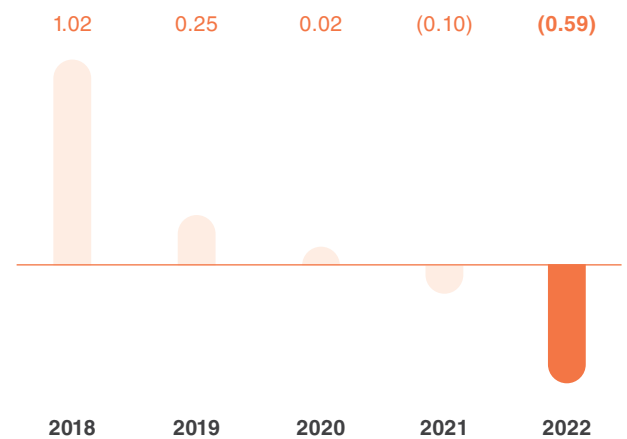
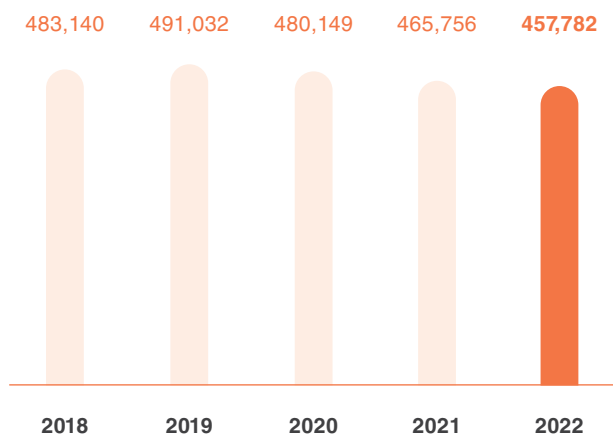
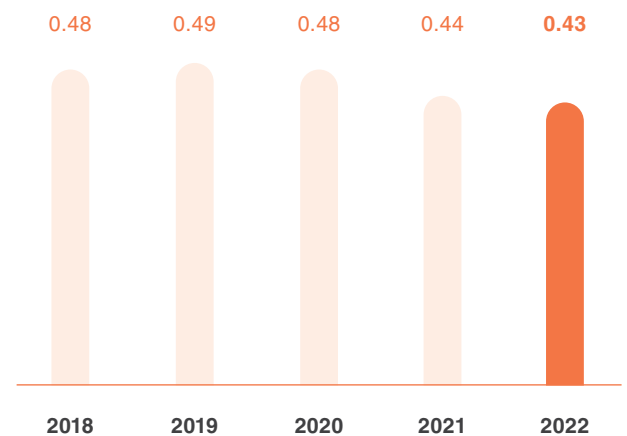


# Financial Highlights

	Financial Year Ended 30 June				
	2018	2019	2020	2021	2022
<b>Financial Performance (RM'000)</b>					
(i) Revenue	409,591	378,484	395,067	419,816	<b>421,642</b>
(ii) Profit/ (Loss) before tax	14,446	3,804	5,192	(534)	<b>(6,488)</b>
(iii) Profit/ (Loss) attributable to owners of the Company	10,229	2,533	228	(1,020)	<b>(6,191)</b>
<b>Financial Position (RM'000)</b>					
<b>Assets</b>					
(i) Total tangible assets	488,984	498,534	524,299	579,262	<b>593,447</b>
(ii) Net assets	483,140	491,032	480,149	465,756	<b>457,782</b>
(iii) Current assets	277,500	275,885	273,577	292,469	<b>296,255</b>
<b>Liabilities and Shareholders' Funds</b>					
(iv) Current liabilities	81,249	85,368	106,960	157,744	<b>160,968</b>
(v) Paid-up share capital	281,980	281,980	281,980	324,244	<b>324,244</b>
(vi) Shareholders' funds	483,140	491,032	480,149	465,756	<b>457,782</b>
<b>Per Share</b>					
(i) Basic earning/ (loss) (sen) *	1.02	0.25	0.02	(0.10)	<b>(0.59)</b>
(ii) Net assets (RM) **	0.48	0.49	0.48	0.44	<b>0.43</b>
* Based on weighted average number of shares issued ('000)	1,002,375	1,002,375	1,002,375	1,028,828	<b>1,053,461</b>
** Based on number of shares issued ('000)	1,002,375	1,002,375	1,002,375	1,053,461	<b>1,053,461</b>
<b>Financial Ratios</b>					
(i) Return on total tangible assets (%)	2.06	0.51	0.04	(0.18)	<b>(1.04)</b>
(ii) Return on shareholders' funds (%)	2.09	0.52	0.05	(0.22)	<b>(1.35)</b>
(iii) Current ratio (times)	3.42	3.23	2.56	1.85	<b>1.84</b>
(iv) Gearing ratio (times)	0.06	0.07	0.11	0.25	<b>0.27</b>
(v) Gearing ratio net of cash (times)	N/A <sup>a)</sup>	N/A <sup>a)</sup>	0.01	0.13	<b>0.22</b>

<sup>a)</sup> No disclosure of gearing ratio net of cash (times) as the Group is in a net positive cash flow position.

## Financial Highlights

**REVENUE**  
(RM'000)**PROFIT/ (LOSS) BEFORE TAX**  
(RM'000)**PROFIT/ (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY**  
(RM'000)**BASIC EARNING/ (LOSS) PER SHARE**  
(Sen)**NET ASSETS**  
(RM'000)**NET ASSETS PER SHARE**  
(RM)



# TRIBUTE TO THE LATE TUN DATO' SERI ARSHAD AYUB

Our late Chairman, Tun Dato' Seri Arshad Ayub, passed away peacefully on Tuesday, 14 June 2022 at the age of 94.

He was nominated as Chairman of our Board of Directors on 30 November 2012 and was instrumental in facilitating the listing of our Group on the Main Market of Bursa Malaysia Securities Berhad. His guidance also proved invaluable during our Group's production capacity expansion, our transformation from a manufacturer into a brand owner and most recently, in navigating the challenges presented by the COVID-19 pandemic.

In addition to his role as Chairman of our Board of Directors, Tun Dato' Seri Arshad Ayub demonstrated exceptional business acumen and was a role model in leadership, ensuring that the highest standards of corporate governance were upheld at all times.

Beyond his contributions to our Group, he will forever be known for his role as a tireless civil servant and a critical figure that shaped the landscape of the Malaysian education industry. Needless to say, he will undoubtedly be remembered as one of the best minds of his generation.

# Chairman's Statement

## **DATO' DR. ONG ENG LONG @ ONG SIEW CHUAN**

Chairman  
Senior Independent  
Non-Executive Director



## Chairman's Statement

“

**Dear Shareholders,**

Just as the global economy began to emerge from the COVID-19 pandemic over the past year, the tragic war in Ukraine resulted in renewed urgency for humanitarian aid and fresh uncertainty in global markets. The impact of rapidly shifting consumer behaviour combined with the disruptions to supply chains and inflationary pressures required businesses to drastically adapt their strategies with the sexual health industry being no exception.

”

At the forefront of our operation efforts during the year was optimising our global supply chain to navigate transport disruptions in order to deliver products to customers in a timely and cost-effective manner. This required leveraging on our investments in automation to improve efficiencies and offset the cost inflation that plagued global markets during the year. We also continued to develop our capabilities across our Group with regards to our digital market presence, quality assurance and research and development to prepare ourselves for the changing global landscape.

In terms of financial performance, our Group delivered another year of record sales numbers, growing revenue to RM421.6 million, driven mainly by strong sales from condoms and personal lubricants. Despite these efforts, disruptions to global logistics networks, volatility in raw material prices, continuing COVID-19 related expenses and the implementation of a higher minimum wage in Malaysia were several factors that put immense pressure on profitability resulting in a loss for the year.

Sustainability continued to remain at the forefront of our business strategies as we continue to evolve as an organisation. We refreshed our sustainability materiality assessment during the year, taking into account a wider range of stakeholder priorities including that of our employees, customers, suppliers and regulators. It remains encouraging that these sustainability efforts amongst others, were again recognised with another successive year of ESG Rating improvements and our continued inclusion on the FTSE4Good Bursa Malaysia Index.

During the year, our Group suffered an immeasurable loss with the passing of our late Chairman, Tun Dato' Seri Arshad Ayub. He had served on our Board of Directors as Chairman since November 2012 and provided invaluable guidance on countless occasions for the better part of the past decade. His leadership will be sorely missed but he leaves behind a lasting legacy of perseverance, hard work and dedication that will continue to be embodied by everyone at Karex.

Whilst the immediate future will undoubtedly be challenging, I believe that our Group remains well positioned and headed in the right direction. This would not be possible without the collective efforts of the people that make up this company. Their persistence and passion remain at the heart of everything that Karex does and on behalf of the Board, I want to thank them for their efforts. Finally, I would also like to express my deepest appreciation to our shareholders for their continued support.

**Dato' Dr. Ong Eng Long @ Ong Siew Chuan**  
Chairman

# CEO's Management Discussion & Analysis

## MK GOH

Chief Executive Officer



### INDUSTRY OVERVIEW

Over the last two years, the overlapping crises of the COVID-19 pandemic and war in Ukraine have rocked the world, leaving a devastating impact on the community living and affected by HIV/AIDS. The Joint United Nations Programme on HIV/AIDS (“UNAIDS”) reported that the new data received is especially frightening and there is legitimate concern that these crises have set back the global response to the AIDS pandemic. Insufficient investment and action over the past few years now leave millions to face AIDS-related deaths and new HIV infections if left unaddressed.

According to UNAIDS, faltering progress meant that approximately 1.5 million new HIV infections occurred last year—over 1 million more than global targets. The AIDS pandemic took a life every minute in 2021, with 650,000 AIDS-related deaths despite the development of effective HIV treatment and tools to prevent, detect and treat infections. Too many countries and too many communities observed rising numbers of new HIV infections when there needed to be rapid declines.

The statistics are even more dire within marginalised communities. The risk of contracting HIV is 26 times higher among men who have sex with men, 29 times higher among people who inject drugs, 30 times higher for sex workers, and 13 times higher for transgender people. This is because discrimination, harassment and punitive laws make it especially difficult for members of key populations to access and use condoms, despite their higher risk of HIV infection.

Greater sexual health education, legal reforms and better access to condoms are required in unison to address these growing inequalities, as recognising the equal worth of individuals is not only an ethical responsibility but one that is imperative for overcoming HIV/AIDS. If there is one lesson that the COVID-19 pandemic has taught us, it is that a pandemic cannot be overcome anywhere until it is overcome everywhere.

## CEO's Management Discussion &amp; Analysis

## OPERATIONAL HIGHLIGHTS

As ports around the world struggled to clear bottlenecks caused by the COVID-19 pandemic, vessels were often delayed causing the price of shipping to escalate to unprecedented levels. This combined with rising energy costs from the war in Ukraine translated into complicated supply chain problems around the world. This challenged our operations teams with having to optimise and synchronise the purchasing of raw materials, booking of containers and managing our storage facilities. Our teams ultimately responded admirably by developing improved communication protocols, inventory management systems as well as diversifying our service providers in order to insulate ourselves from short term volatility over the course of the year.

These same supply chain disruptions felt all around the world also resulted in inflationary pressures and an inability for many companies in Malaysia to source foreign labour. Fortunately for us, we had a few years prior, already embarked on a comprehensive automation programme that has allowed us to reduce our dependency on labour whilst also improving our quality standards. The application of technology to maximise efficiencies and keep costs at a minimum is likely to become more and more critical moving forward as global inflationary pressures persist.

Recent years also saw the impact of rapidly evolving medical device regulations across the world with regulators implementing a more holistic approach to manufacturer audits. Our quality assurance and compliance teams worked tirelessly during the year to ensure that no detail was overlooked despite the widespread changes to the regulatory landscape. Many of our commercial segment orders required our facilities to be audited by a variety of independent boards during the year so that our customers were always assured that product standards met their respective jurisdiction requirements.

Our distribution offices of Pasante Healthcare Limited ("Pasante") (based in the United Kingdom) and Global Protection Corporation ("GPC") (based in the United States of America ("USA")) continued to develop sales in various channels as western economies began to lift restrictions. GPC improved sales via its private label business as well as by continuing to capture notable health department contracts across the USA. Our Pasante team employed several creative social media campaigns and strategies that resulted in an improvement of over 20% in their online sales.



As our research and development teams continue to work to improve user experiences via the incorporation of new packaging and condom material science, we have also been working hard to push the agenda on reducing the social stigma surrounding condom usage. In February 2022, the United States Food and Drug Administration announced that ONE® and myONE™ Custom Fit™ became the first and only condom brands to be approved for anal sex, not just vaginal sex. This was achieved through clinical trial evidence collected by the Rollins School of Public Health at Emory University. The news was reported across the world, including notable outlets like The New York Times, Boston Globe, Metro UK, The Daily Beast, and even Saturday Night Live.

In addition to furthering the social agenda, we also continued to recognise the importance of prioritising other aspects of sustainability to deliver long term results. Our facilities in Malaysia and Thailand continued to work with the Supplier Ethical Data Exchange (Sedex), opting for the comprehensive four pillar SMETA (Sedex Members Ethical Trade Audit) audits to provide an independent, holistic evaluation of our labour standards, health and safety, environment and business ethics. More details of our sustainability efforts can be found in our Sustainability Statement on pages 18 to 35 of this Report.

## CEO's Management Discussion & Analysis

### FINANCIAL REVIEW

With many countries taking conservative approaches to COVID-19 prevention measures for much of the financial year ended 30 June 2022 ("FY2022"), sales to many markets were affected. A record-breaking year of personal lubricant sales helped to make up for the subdued demand for condoms. The capture of new markets and successful implementation of price increases resulted in our Group sustaining its year-on-year sales growth momentum with sales totalling RM421.6 million.

Despite these efforts, we were not spared from the inflationary pressures caused by the related disruptions to global supply chains and uncertainty stemming from the Russia-Ukraine war. Freight rates remaining heightened and were compounded by price volatility in key raw materials such as silicone oil and packaging. These combined with the implementation of an increased minimum wage in Malaysia to pressure profitability and resulted in a loss after tax for FY2022.

The challenges in managing the disruptions to the supply chain were reflected in an inventories total of RM152.4 million, representing an increase of over 16% from the previous financial year. This total captured the higher raw material stocks that had to be kept on hand in order to avoid disruptions to our operations, as well as goods that were unable to be delivered due to closures to logistics facilities.

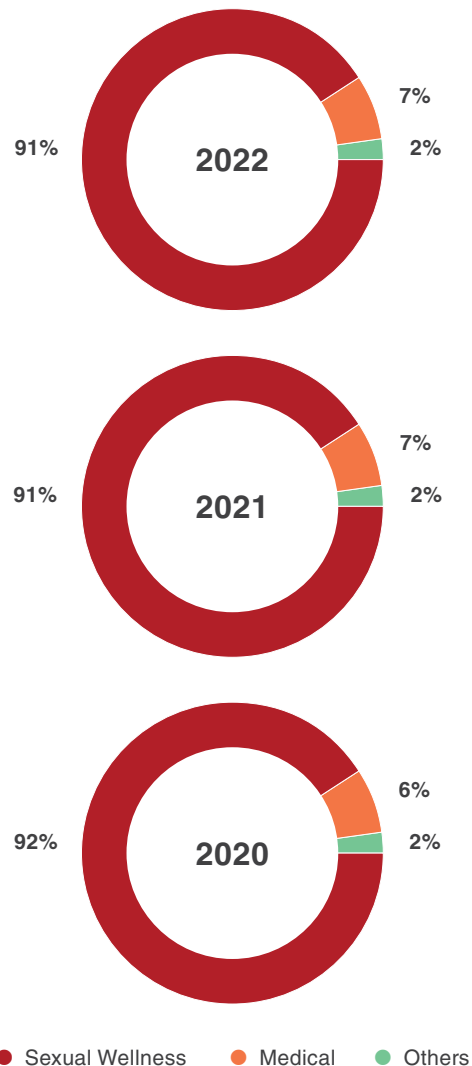
Although net operating cash flow remained positive for the year, the continued investment in our glove facility in Hat Yai, Thailand along with higher working capital requirements arising from increased sales and inventories resulted in a reduction to our year end cash balance to RM21.9 million. Shareholders' funds correspondingly decreased to RM457.8 million as at 30 June 2022. The increase in current assets was offset by an increase in trade payable arising from higher raw material purchases that corresponded to an increase in current liabilities and a current ratio of 1.84x for the year.

The investment in the plant and equipment at the glove facility contributed to the majority of the RM35.7 million of capital expenditures for the year expanding the non-current asset base to RM394.4 million and the total asset base to RM690.6 million. This investment also required the utilisation of additional term loans bringing the non-current liabilities total to RM71.9 million corresponding to an increase in gearing ratio to 0.27x and a net assets per share of RM0.43 at the close of the year.

### Product Divisions

With many condom markets remaining affected by lockdowns and inaccessibility during the year, personal lubricant sales delivered a record year that helped to make up the shortfall within the Sexual Wellness division. This improvement reflects the huge potential for the product division moving forward as social life normalises and humanitarian aid projects resume around the world.

Sales of catheters and probe covers continued on a stable growth trajectory following a record year during the previous year. Although setbacks to the glove venture meant that there was no contribution for the year, we made strides to progress to the final stages of validating our production lines. Sales of gloves are expected to complement the offerings in the growing Medical division once commercial production commences in the upcoming financial year.



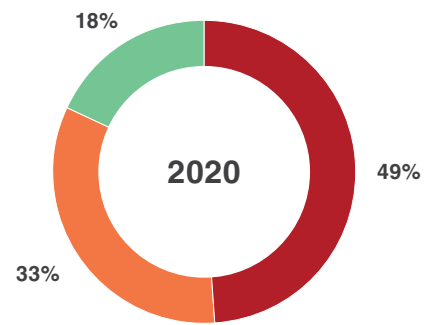
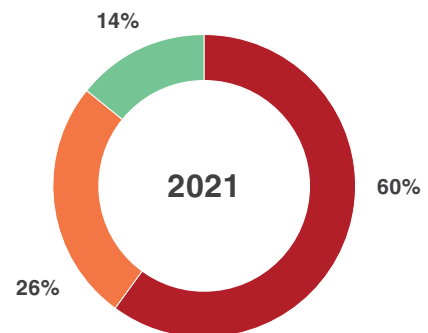
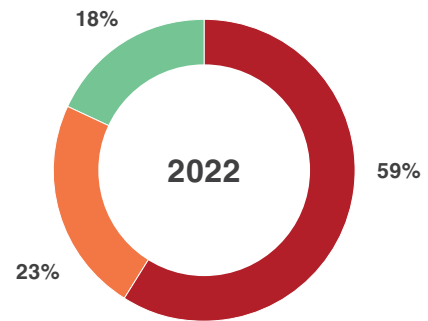
CEO’s Management Discussion & Analysis

**Market Segments**

Tender segment sales that typically rely on social welfare channels for distribution in developing parts of the world remained the most affected by recent global events. Not only did non-governmental organisations struggle to re-establish supply lines following a two-year hiatus, but humanitarian aid budgets were again redirected to new emergency relief requirements in Europe. As a result, the contribution of tender segment sales dipped below 24% of Group revenue for the first time since our Group’s listing.

The disruption to social welfare channels in many markets along with the increase in adoption of e-commerce platforms continued to catalyse the switch towards private market providers. We continued to work hand in hand with a wider range of brand owners to design and manufacture products intended to keep up with the rapid change in consumer preferences. Commercial segment sales remained core to our Group during the year as they leveraged most on our experience as a proven manufacturer to provide customers creative products that are also competitively priced.

Despite facing fierce competition for shelf and online advertising space, our Own Branded Manufacturing (“OBM”) segment continued to make inroads in many markets by employing unique digital strategies. ONE® Condoms in particular, continued to garner top results and recognition from agencies that have enabled us to expand our brand visibility and trust amongst consumers. New distribution arrangements have been planned to continue to facilitate the growth of our in-house brands in a segment that has become integral over the past few years.



● Commercial    ● Tender    ● OBM



CEO's Management Discussion & Analysis

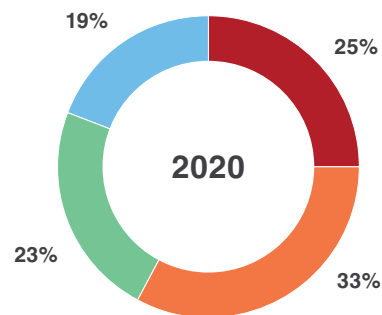
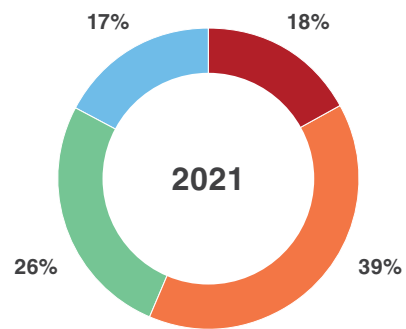
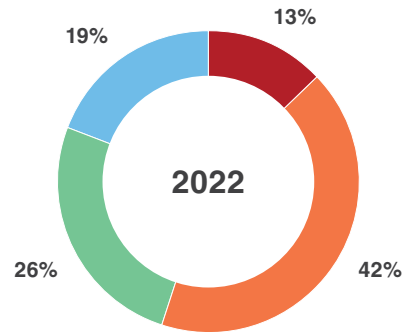
**FINANCIAL REVIEW**

**Geographical Regions**

Deliveries of orders to the African region during FY2022 were particularly problematic due to port closures and disruptions to distribution networks. These issues caused many orders to be delayed and held in transit over the course of the year. This region has typically been associated with humanitarian aid efforts in the form of tender sales that also reflected a corresponding decline in contribution.

Demand from the Asian region was also negatively affected with many countries including China and Japan observing stricter COVID-19 immigration controls in contrast to their Western counterparts. This impacted tourism and limited social interactions which led to a stagnant contribution from what was previously the fastest growing region in terms of condom usage. With healthcare and humanitarian aid budgets being directed to assist victims of the war in Ukraine, condom distribution in the European region also remained dampened.

As many markets began to lift restrictions in the Americas region, healthcare and education providers were able to resume sexual health education programs. This combined with the development of e-commerce providers and a return of tourism led to a surge in condom orders within the region. On the OBM front specifically, we were able to conduct many prospective discussions with retailers to start to extend and deepen the market presence of our brands within the region.



● Africa ● Americas ● Asia ● Europe



## CEO's Management Discussion &amp; Analysis

## OUTLOOK

Even with all the radical changes and technological advancements in the world over the past few years, condoms remain the most widely used method for preventing HIV and other sexually transmitted infections, and for preventing unintended pregnancies. They continue to be produced inexpensively and regulated strictly with the United Nations re-affirming that increased condom use since 1990 is estimated to have averted 117 million new HIV infections globally.

There is an obvious need to revive large-scale distribution and education of condoms and lubricants especially within the populations of greatest need. As detailed in our geographical revenue segmentation, these happen to be the areas that have had their supply of condoms most affected by recent global events. Fresh attention and investment is expected to commence imminently to address the neglect for these programmes and to get back on track to meet global targets to end AIDS by 2030.

In addition to the resumption of condom programmes where they are most required, we envisage that opportunities will also arise from a world seeking to rekindle social interactions. As schools and health centres reopen, we are already observing a surge in orders intended to restock empty inventories. E-health services are another promising innovation resulting from the pandemic that have allowed younger populations to access condoms over discrete digital platforms that help to facilitate healthier choices without embarrassment or stigma.

Although the business climate remains challenging with the logistics backlogs and inflationary pressures persisting around the world, we have invested the necessary time and effort to transform our organisation into a more robust entity. The investments in sustainability and innovation put us in prime position to understand the changing needs of consumers and capture opportunities as the world emerges from the COVID-19 pandemic and seeks to re-establish its foothold in the battle against HIV/AIDS.

## ACKNOWLEDGEMENTS

As many of you would undoubtedly have read, Tun Dato' Seri Arshad Ayub who served as the Chairman of our Board of Directors passed away during the year. I am forever grateful for the opportunity of having worked alongside him and in the process benefited from his unique perspective. His guidance and contributions were instrumental to our Group's progress over the years, and he leaves behind a legacy of having made an impactful improvement to sexual health for millions around the world during his tenure at Karex.

During a period particularly filled with trials and tribulations, I am sincerely appreciative of our family at Karex that encompass not only our staff but also the many customers, suppliers and partners that have worked tirelessly with us. I remain confident about the progress that we have made and very much look forward to what our future holds.

Finally, I want to thank and acknowledge our shareholders for your patience and continued support. We are working very hard to repay your belief and remain fully focused on delivering long term value.

**MK Goh**

Chief Executive Officer



# Sustainability Statement

## SCOPE AND BOUNDARIES

This Statement summarises our sustainability efforts for our stakeholders and other interested parties. We aim to provide a clear, comprehensive and transparent representation of our performance in managing the Economic, Environmental, Social and Governance (“EESG”) aspects of our operations.

This Statement covers our EESG performance across all our group entities and operations in Malaysia, Thailand, the United States of America (“USA”) and United Kingdom (“UK”). It includes discussions on the material topics identified through our materiality assessment to provide an accurate representation of our overall sustainability impact and performance. The report covers the period from 1 July 2021 to 30 June 2022 and has not been externally assured.

## OUR APPROACH TO SUSTAINABILITY

Our approach to sustainability forms part of our commitment to be a responsible corporation for the customers and communities we serve. We have attempted to embed sustainability in our policies and in our four key strategies detailed on page 5 of this Report, encouraging it to influence our investments, operations, stakeholder engagement and risk mitigation efforts, amongst others.

In an effort to ensure that the standard of our sustainability reporting is sufficiently comprehensive and aligned with international best practices, we have referenced different reporting guidelines and frameworks. We have also, where possible, utilised quantitative data to provide readers with comparative statistics as we progress towards our sustainability goals.

The Global Reporting Initiative (“GRI”) is an international independent organisation that provides the world’s most widely used standards on sustainability reporting. This Statement has been prepared with guidance from the GRI Standards as well as Bursa Malaysia’s Sustainability Guidelines – 2<sup>nd</sup> Edition.

Moreover, all our manufacturing facilities have during the year undertaken a comprehensive four pillar Sedex Members Ethical Trade Audit (“SMETA”) audit. Sedex is an internationally recognised, independent, not for profit organisation that aims to improve ethical and responsible business practices in global supply chains. The four pillar audit covers labour standards, health and safety, management systems, business ethics and an environmental assessment. These audits are aimed at achieving greater visibility in our supply chain, improving our supplier relations and receiving an independent verification of our ethical compliance.

As a testament to our continued efforts to improve our sustainability initiatives, Karex Berhad was accredited as having met globally recognised standards and admitted as a constituent of the FTSE4Good Index in June 2020. Our continued inclusion and improving sustainability scores are encouraging, however, stakeholders are always welcome to share their comments and suggestions about how we may further improve by sending an email to [ir@karex.com.my](mailto:ir@karex.com.my).



## Sustainability Statement

## SUSTAINABILITY GOVERNANCE

Our strategic governance framework ensures that we make responsible decisions that consider the EESG landscape to achieve our long term growth that is inclusive for all the stakeholders in our value chain.

Sustainability matters amongst others, come under the purview of our Sustainability Working Committee that includes members and representatives from a variety of business units so that we may continue to consider sustainability as holistically as possible across the organisation. The key matters and initiatives are then presented to the Risk Management Committee and ultimately our Board of Directors (the “Board”). Decisions are collectively reviewed and evaluated based on the respective longstanding merits and how they fit into our Group’s vision towards cultivating a sustainable business model.

## BOARD OF DIRECTORS

- Holistically reviews Group’s sustainability efforts and approves of Sustainability Statement for inclusion in Annual Report

## RISK MANAGEMENT COMMITTEE

- Reviews material sustainability matters and efforts with respective members from the Sustainability Working Committee
- Reports to the Board of Directors based on outcome of discussions

## SUSTAINABILITY WORKING COMMITTEE

- Responsible for identifying, monitoring and reviewing material sustainability matters under their purview
- Respective representatives take action and continue to review effects of efforts on a periodic basis
- Reports to Risk Management Committee on material matters identified and how they have been addressed



## Sustainability Statement

### STAKEHOLDER ENGAGEMENT/PRIORITISATION

We recognise that the success of business relies on developing strong and meaningful relationships with our stakeholders. We continue to utilise various channels to foster conversations with our shareholders in order to obtain feedback, develop ideas and provide solutions that ultimately provide more satisfaction for our customers. We have in doing so, utilised an array of platforms and different media in order to effectively align our business strategies with our sustainability goals.

Our Stakeholders	Methods of Engagement	
<p><b>Customers</b></p> <p>Brand owners, governments, non-governmental organisations and retail purchasers around the world</p>	<ul style="list-style-type: none"> <li>• Campaigns</li> <li>• Customer service</li> <li>• Email and video conferencing</li> </ul>	<ul style="list-style-type: none"> <li>• Customer surveys</li> <li>• Social networks</li> <li>• Online forums</li> </ul>
<p><b>Investors and Media</b></p> <p>Institutional and retail investors, analysts, fund managers and potential investors</p>	<ul style="list-style-type: none"> <li>• Annual general meetings</li> <li>• Quarterly results briefings</li> <li>• Conferences and roadshows</li> <li>• Site visits</li> <li>• Interviews</li> </ul>	<ul style="list-style-type: none"> <li>• One-to-one meetings and conference calls</li> <li>• Corporate website</li> <li>• Press releases</li> </ul>
<p><b>Employees</b></p> <p>Our employees based in Malaysia, Thailand, USA and UK</p>	<ul style="list-style-type: none"> <li>• Online newsletters and emails</li> <li>• Employee surveys</li> <li>• Virtual meetings and conference calls</li> <li>• Email</li> </ul>	<ul style="list-style-type: none"> <li>• Team building events</li> <li>• Annual performance appraisals</li> <li>• Townhalls</li> </ul>
<p><b>Government Agencies</b></p> <p>Regulators, health authorities and international medical device standard agencies</p>	<ul style="list-style-type: none"> <li>• Social and compliance audits</li> <li>• Industry and regulatory conferences</li> <li>• Meetings and briefings</li> </ul>	<ul style="list-style-type: none"> <li>• Trade conventions</li> <li>• Charity events</li> <li>• Local council meetings</li> </ul>
<p><b>Vendors and Suppliers</b></p> <p>Contractors that provide services and products pertaining to the entire manufacturing process chain</p>	<ul style="list-style-type: none"> <li>• Transactional dealings</li> <li>• Training conferences and workshops</li> <li>• Outreach programmes</li> <li>• Video conferencing</li> </ul>	<ul style="list-style-type: none"> <li>• Company sponsored events</li> <li>• Supplier surveys</li> <li>• Email</li> <li>• Vendor audits</li> </ul>
<p><b>Community</b></p> <p>Local communities where we operate and conduct our businesses</p>	<ul style="list-style-type: none"> <li>• Charity functions</li> <li>• Sporting events</li> <li>• Dialogue and knowledge exchange events</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate Social Responsibility programmes</li> </ul>

## Sustainability Statement

### IDENTIFICATION OF MATERIAL ISSUES

To identify matters that are most significant to our stakeholders and business, we conducted a comprehensive materiality assessment in the financial year ended 30 June 2022 (“FY2022”). We utilised a step-by-step approach to identify a list of the matters and asked a range of stakeholders about which they prioritised in terms of importance for the year in consideration. These stakeholders included employees, suppliers, customers, government agencies and investors. This is the second time that we have conducted this assessment with the first having been conducted several years ago in 2018.

The data collected was then considered against previous results and suggestions received from other stakeholders including regulators. We then worked with our operations teams to devise targets and gather data so that we were able to present stakeholders with updates on developments and issues that they considered material.

#### Methodology

<b>Step 1 Identification</b>	<p>Before engaging with stakeholders to conduct an assessment, a list of material factors relating to economic, environmental and social factors relevant to our business were identified. In an effort to focus on the most material issues, the following factors were taken into consideration:</p> <ul style="list-style-type: none"> <li>• Changing global and regional macroeconomic trends</li> <li>• The expected developments of the sexual wellness, medical and rubber products industries</li> <li>• International standards and regulatory changes</li> <li>• Stakeholder expectations and requirements</li> <li>• Our strategies and internal policies</li> </ul>
<b>Step 2 Prioritisation and Engagement</b>	<p>A customised online survey was conducted to engage stakeholders and determine the material sustainability issues that most concerned each stakeholder. Issues identified were then narrowed down into key broad categories and ranked in terms of how critical each stakeholder considered each of them.</p>
<b>Step 3 Review and Refine</b>	<p>The list of prioritised material matters was then verified through interviews and discussions with operations leaders in each respective field as well as members of the Management Team and the Sustainability Working Committee.</p> <p>Furthermore, we have subsequently assessed our business strategies to ensure they have taken proper consideration of the material issues identified.</p> <p>The final materiality matrix was presented and endorsed by our Sustainability Working Committee.</p>

### ASSESSMENT OF MATERIAL ISSUES



## Sustainability Statement

### MATERIALITY MATRIX

In line with Bursa Malaysia’s Sustainability Reporting Guidelines, we conducted a materiality assessment through data analysis and stakeholder engagement. We gathered insight on material matters in which we have an economic, environmental and/or social impact, and prioritised 7 out of 10 of the issues identified. These initiatives that we have prioritised during the year including our continuing governance improvements have been selected as follows:



ECONOMIC	
1	Procurement Practices
2	Community

ENVIRONMENTAL	
1	Waste Management
2	Climate Change
3	Supply Chain
4	Materials

SOCIAL	
1	Diversity
2	Health and Safety
3	Labour Practices
4	Product and Services Responsibility

## Sustainability Statement

We have also during the year committed to supporting the United Nations 2030 Agenda for Sustainable Development and have mapped the material matters identified in our matrix against the key United Nations Sustainable Development Goals (“UN SDGs”). The key contributions and milestones pertaining to the UN SDGs are summarised below:

Material Matters	Key Achievements	Related UN SDGs
<div style="background-color: #00A651; color: white; padding: 5px; display: flex; align-items: center;"> <b>ECONOMIC</b> </div>		
<b>Community</b>	<ul style="list-style-type: none"> <li>For the FY2022, 86% of our suppliers have been sourced from our local communities</li> <li>We worked with Planned Parenthood to create the Condoms to Colleges program providing free customised condoms to colleges across the USA</li> </ul>	
<div style="background-color: #00A651; color: white; padding: 5px; display: flex; align-items: center;"> <b>ENVIRONMENTAL</b> </div>		
<b>Waste Management</b>	<ul style="list-style-type: none"> <li>We produced a total of 214 metric tonnes of crepe rubber from the recycled rubber collected at our facilities</li> <li>Our water conservation initiatives resulted in a reduction of 2.87% in water withdrawal across our production facilities</li> </ul>	
<b>Climate Change</b>	<ul style="list-style-type: none"> <li>Having implemented better systems to record our greenhouse gas emissions during the previous year, we set ourselves a target to reduce our total greenhouse gas emissions by 5% over the next 5 years</li> </ul>	
<b>Supply Chain</b>	<ul style="list-style-type: none"> <li>We conducted risk assessments on a total of 87 suppliers for the FY2022</li> <li>We conducted a total of nine comprehensive audits on our suppliers during the year to continue to develop good social and environmental practices throughout our supply chain</li> </ul>	
<div style="background-color: #E67E22; color: white; padding: 5px; display: flex; align-items: center;"> <b>SOCIAL</b> </div>		
<b>Diversity</b>	<ul style="list-style-type: none"> <li>The Industrial Estate Authority of Thailand recently awarded us the prestigious Good Labour Practice award for our efforts in ensuring that our workplaces are free from gender discrimination, forced labour and opportunities for bribery</li> <li>Over 60% of our workforce are female reflecting the importance we place on non-discriminatory meritocracy</li> </ul>	
<b>Health and Safety</b>	<ul style="list-style-type: none"> <li>Our manufacturing facilities in Malaysian and Thailand recorded a zero-incidence rate of time lost due to injuries during the year</li> </ul>	
<b>Labour Practices</b>	<ul style="list-style-type: none"> <li>We engaged an external certification body to conduct a comprehensive four pillar SMETA audit on all of our manufacturing facilities</li> <li>In FY2022, we received no reports of incidents of human rights violations</li> </ul>	
<div style="background-color: #555; color: white; padding: 5px; display: flex; align-items: center;"> <b>GOVERNANCE</b> </div>		
<b>Governance Practices</b>	<ul style="list-style-type: none"> <li>Our independent whistleblowing channels that employees may use to report incidences of human rights violations, bribery or corruption recorded no complaints during the year</li> </ul>	
<b>Risk Management Practices</b>	<ul style="list-style-type: none"> <li>We continued to conduct a comprehensive review on the key risks facing our Group and develop mitigative strategies to ensure that our risks are actively managed</li> </ul>	

# Sustainability Statement

## ECONOMIC

In addition to the short-term returns of each business decision, we aim to ensure that decisions do not compromise our values and what we aim to achieve as an organisation in the long run. Our goal is to achieve long term growth and deliver sustainable returns for all our stakeholders and partners.



### I. COMMUNITY

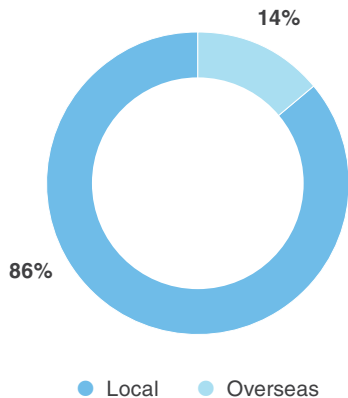
We have continued to make a concerted effort to work with suppliers and vendors from our local communities. We believe that in addition to procuring the best quality materials in the most cost-efficient manner, we must also continue to empower local businesses. This not only ensures that communities around us are given the opportunity to grow and benefit along with our business, but they also allow us to develop new partners that are able to offer us contingency or diversification benefits. Working with partners from our local communities also entails developing accountability for topics such as human rights and labour practices in order to ensure that proper risk management safeguards are implemented. For the FY2022, we are proud to report that 86% of our suppliers used are from our local communities.

We are also mindful to continue to engage with the youth in our communities through various involvements. We have collaborated with the Malaysian Rubber Council and local universities to host over 84 students as interns at our facilities between 2018 till FY2022. These internship programs have been designed to provide students with real-world working experiences and an insight into the sexual health and rubber industry in Malaysia and Thailand. Many of these graduates have gone on to join as full-time employees following the completion of their internships.

We also continued to support causes close to our hearts in the local community in continuing our donation of both funds as well as products to the local schools around our facilities, Malaysian AIDS Foundation, the Federal Reproductive Health Association of Malaysia, PT Foundation and Pertubuhan Kesihatan Dan Kebajikan Umum Malaysia (“PKKUM”) to name a few. This included the provision of funding for PKKUM to continue to operate its facility providing non-discriminatory support and a daytime shelter for the homeless through the COVID-19 pandemic.

Our longstanding partnership with the Malaysian AIDS Foundation deepened further with product donation drives involving key youth leaders and brands from around Malaysia with the intention of making sexual health awareness an approachable topic for the youth. The animated Kakak Kondom campaign also continued to build on its success by developing its engagement over various social media platforms in order to provide more educational content to students around Malaysia.

Supply Chain by Local and Overseas



## Sustainability Statement

Although government restrictions limited our ability to attend seminars on campuses and host visitors at our facilities in person, we continued to champion the cause for improving sexual health education in our communities. We provided contraceptive courses, most notably at the Hospital Pengajar Universiti Putra Malaysia (HPUPM) and via various online seminars in order to destigmatise condom usage and ensure that more people are afforded access to proper sexual health information in order to make more informed decisions.

We also moved many of our long-running campaigns to virtual platforms during the year including Art Against AIDS (fondly known as AAA). This platform has raised over RM1 million to date and provided a platform to allow corporations and non-governmental organisations to collaborate with students and the art community in joint effort to promote sexual health.

In the USA, ONE® Condoms continued to help student groups and non-profits facilitate conversations about sexual health. During the year, we collaborated with Planned Parenthood to create the Condoms to Colleges program, which provided free customised ONE® Condoms to colleges across the country and educated young people on safer sex. As university budgets were cut, we also launched initiatives to continue to push sexual health education by teaming up with Cassandra Corrado, the educator behind Feminist Sex Ed, to launch the Feminist Sex Ed Scholarship Contest. Winning schools were provided free sexual health workshops and supplies like condoms and lubricants.



## Sustainability Statement

### ENVIRONMENTAL

As a manufacturer, we recognise that sustainably improving efficiencies requires a holistic approach that must include conserving natural resources and preserving the ecosystems that we rely on. Improving energy efficiency and practicing responsible waste management are key to ensuring that resources that we depend on will not be depleted or misused so that the livelihoods of future generations are not compromised by climate change.

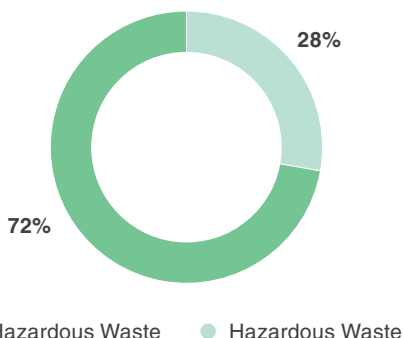


#### I. WASTE MANAGEMENT

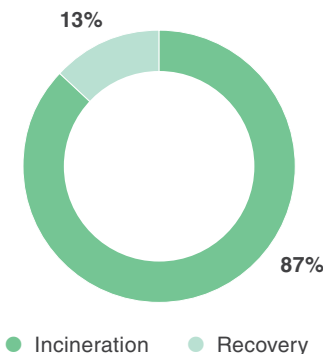
Ensuring that waste from our production processes is handled and disposed off responsibly is a key focus of our environmental sustainability efforts. We understand that left unchecked, hazardous waste produced from our facilities may have the potential to cause irreversible harm on the natural environment and threaten public health. As such, we ensure that all our facilities have complied with the applicable regulations pertaining to waste management practices.

For the FY2022, our condom and medical devices facilities generated a total of 2,887 metric tonnes of waste. The waste that is hazardous is clearly identified and designated to be handled appropriately. Hazardous waste is typically handled by a designated specialist team within each facility who ensures that the waste is stored in the appropriate containers, explicitly labelled and eventually collected by licensed contractors for treatment/disposal. The date and method of disposal is then noted as per the respective scheduled waste regulations in Thailand and the Environmental Quality (Scheduled Wastes) Regulations 2005 as prescribed by the Department of Environment in Malaysia.

#### Percentage of waste by category generated for FY2022



#### Disposal of hazardous waste by method for FY2022



Non-hazardous waste generated from our facilities comprises of recyclable plastics, metals and paper and are either recycled or disposed of accordingly. Our recycling efforts include the installation of sedimentation tanks to recover slurry powder from our manufacturing processes as well as recycling scrap rubber from our dipping lines into high quality crepe rubber for use in other industries. In FY2022, we produced a total of 214 metric tonnes of crepe rubber from the recycled rubber collected. In addition to recycling efforts, we have also implemented various initiatives to reduce waste such as working with suppliers to reuse packaging materials that can be refilled or reused in future deliveries as well as digitized several processes to reduce paper consumption.

Beyond the waste produced, water is another key component used during our manufacturing processes that will result in a discharge requiring treatment before it can be released back into the environment or in certain cases recycled and reused. We are committed to complying with the relevant water regulations including the Environmental Quality Industrial Effluent Regulation 2009 in Malaysia.

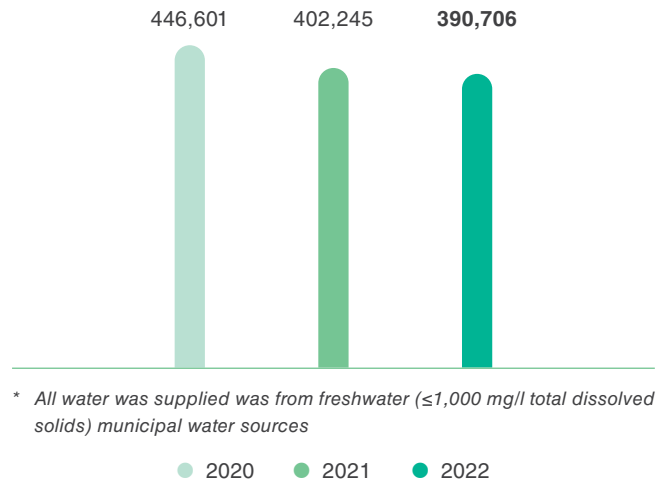
## Sustainability Statement

Monitoring our consumption of water across our manufacturing facilities is critical to ensure we practice responsible consumption as well as to identify cost saving opportunities and ensure that we are always prioritising the conservation of a precious natural resource. Our Group's water usage is compiled based on data from our water withdrawal sources and compared against data regarding our water discharge based on effluent discharge measurements.

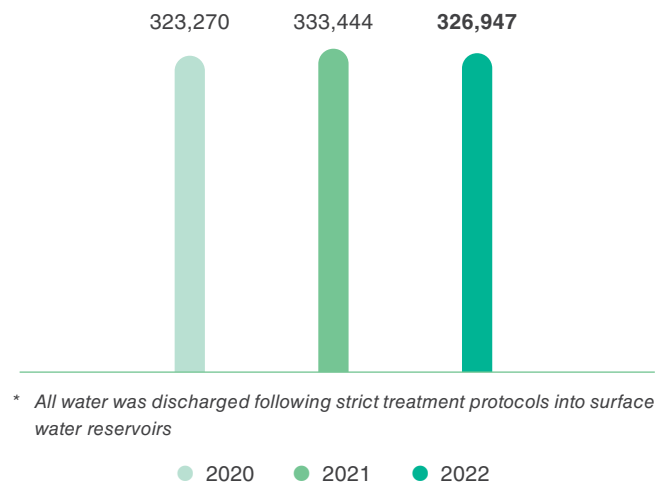
At present, water conservation initiatives include the installation of rainwater harvesting facilities to supply water for tasks such as cleaning of facilities as well as the installation of flow meters and control valves to ensure that former rinsing and leaching processes deploy water more efficiently. Although impactful, we feel that further improvements are possible and have committed to a short-term target of reducing the amount of water consumed per condom produced by 2.5% within the next 5 years taking 2021's water usage as a baseline year. We will endeavor to keep stakeholders up to date on the progress of reaching this target as new initiatives are implemented.

Beyond reducing the amount of water used, it is critical to ensure that effluent is properly collected, treated and tested to confirm compliance with regulatory limits before it is discharged. All of our manufacturing facilities are equipped with the requisite equipment to measure and record parameters of discharged water including pH, suspended solids and dissolved minerals. These samples are also periodically sent to external laboratories to ensure that wastewater is safe to be released back into the natural environment.

### Total Water Withdrawal Across All Production Facilities (m<sup>3</sup>)\*



### Total Water Discharge Across All Production Facilities (m<sup>3</sup>)\*



# Sustainability Statement

## II. CLIMATE CHANGE

We recognise that climate change is a global issue that will have irreversible repercussions and affect future generations if left unchecked. We support Malaysia’s mitigation target to cut carbon intensity against GDP by 45% by 2030 and have taken steps to move towards more responsible energy consumption by managing our energy usage more efficiently, moving towards renewable energy sources and implementing systems that allow us to track our efficiencies.

Some of the immediate physical risks presented by climate change that we have identified to our business include increased flooding that affected our manufacturing facilities during the year, as well as rising temperatures that have impacted latex quality during recent heatwaves. In addition to these risks, our business is also faced with transitional risks such as the impetus to move towards low carbon energies as well as evolving regulations in many of the regions that we export to. These risks present very immediate and severe consequences and as such, we have taken steps towards ensuring that our business is sufficiently insulated moving forward.

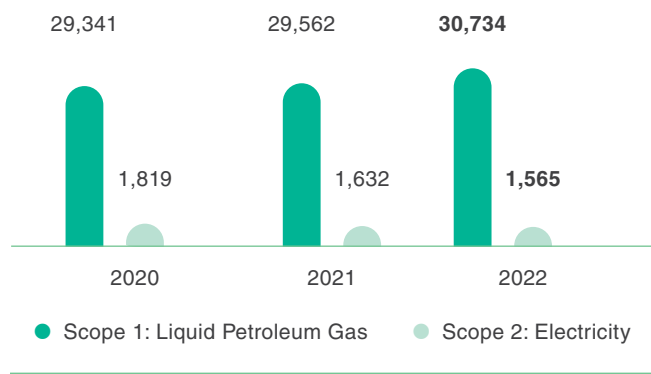
Whilst we have installed better drainage and irrigation systems to improve our immediate flood prevention measures, we also recognise that cultivating a culture of responsible energy use is essential to addressing the long term risks presented by climate change. Some of our recent initiatives include ensuring staff switch off lights and equipment outside of office hours, switching bulbs to energy efficient LEDs, installing motion sensors and solar panels progressively and switching our air conditioning to centrally controlled systems. Our Sustainability Working Committee has also been working with our operations teams to analyse our electricity consumption data in order to search for points within our manufacturing processes that can be further optimised to derive energy savings in the future.

We have successfully maintained the ISO 14001:2015 Environmental Management System certification across all our manufacturing facilities, ensuring that each facility has in place an effective environmental management system. Our Thailand facility has also been accredited the ISO 50001 Energy Management System certification ensuring that energy management is integrated into efforts to improve quality and environmental sustainability. In addition to these certifications, we continue to perform routine internal audits to assess our environmental systems for potential avenues of improvement as well as ensure that we remain compliant to the changes in regulations around the world.

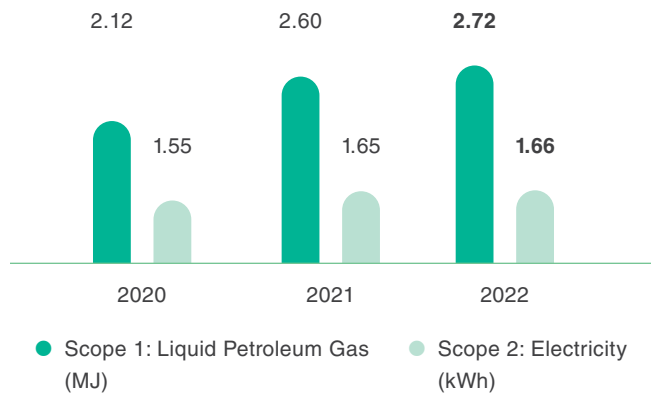
In our continued efforts to reduce our carbon footprint, we continue to install equipment to measure our electricity and liquid petroleum gas consumption. We have tabulated data regarding our Scope 1 and Scope 2 greenhouse gas (“GHG”) emissions in accordance with the GHG Protocol guidelines.

Scope 1 emissions relate to liquid petroleum gas combustion at our manufacturing facilities and are based on the “IPCC 2006 Guidelines for National Greenhouse Gas Inventories”. Scope 2 emissions relate to electricity purchased and used across our Group and are based on the carbon emission factors for fuels in Malaysia.

**Scope 1 and 2 Emissions (CO<sub>2</sub> tonnes)**



**GHG Consumption Intensity for Condom Manufacturing (per gross)**



Having considered this data during the year, we have set out specific targets for our various operations teams to improve energy efficiencies moving forward. In aggregate as a Group, we are targeting to reduce our total GHG emissions by 5% over the next 5 years as a short-term target with future projects eventually reducing these totals by 10% by 2035 taking 2021 as a baseline year for when we first started compiling GHG emission data.

Achieving these targets will require a coordinated effort encompassing new technologies and innovations as well as a consistent effort to improve awareness within the organisation. We aim to combine this progress tracking with improvements in our data collection and reporting to provide our stakeholders more transparency whilst enhancing our climate change disclosures moving forward.

## Sustainability Statement

## III. SUPPLY CHAIN

Our commitment to environmental sustainability extends to ensuring that our procurement practices are ethical and considerate of their impact on climate change. The turbulence in global supply chains encountered over the past two years highlighted the importance of conducting due diligence and selecting vendors based on transparent criteria who are also committed to creating value and enhancing efficiency by employing sustainable sourcing practices.

In order to communicate our ethical and environmental policies, we have established a formal Supplier Code of Conduct that is applicable to all our vendors, contractors and service providers. These policies cover our expectations with regards to energy use, impact on climate change, water consumption, biodiversity, sourcing of materials, labour practices and safety protocols amongst others, and are aimed at mutually helping all parties to ensure that risks are properly identified and mitigated.

The Supplier Code of Conduct is sent via email to all vendors upon engagement as well as frequently referenced during key milestones such as the issuance of Purchase Orders. Vendors are also able to access a copy of our Supplier Code of Conduct at all times in a variety of languages from our website. These principles are highlighted and reinforced via frequent training and engagement during the year under our Supplier Development Program and extend not just to environmental policies but also towards developing an ethical supply chain.

In order to ensure compliance, we also conduct frequent site verifications and audits that evaluate performance as well as environmental, social and governance policies during the year. For the FY2022, we conducted a total of nine comprehensive supplier audits during which environmental and ethical policies were thoroughly evaluated and staff were interviewed. These audits supplement our risk assessment of prospective and existing suppliers in order to understand and identify potential high-risk suppliers. Those identified as high risk are given more intensive training to fine-tune processes as well as provisioned for with contingency planning. We conducted social and environmental risk assessments on a total of 87 suppliers during the FY2022.

Our commitment to environmental sustainability is also demonstrated to customers by our continued participation in non-governmental organisations such as the Fair Rubber Association. This provides our customers assurance that rubber products manufactured by our Group have utilised latex that is sustainably sourced and goes towards improving the living conditions of the primary producers themselves.



# Sustainability Statement

## SOCIAL

Our social sustainability ethos is centered around operating in a manner that is respectful of human rights, considerate of ethical supply chain management and mindful of the health and safety of our employees at all times. We aim to foster a working environment that is free from discrimination so that we may develop productive engagements with stakeholders.



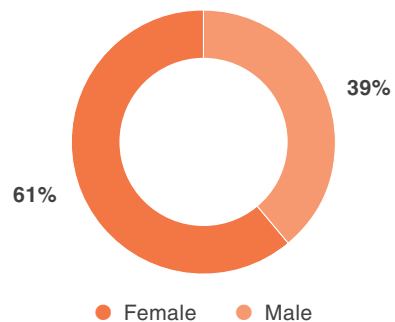
### I. DIVERSITY

As a leader in the sexual health industry, we understand the importance of creating an inclusive environment that embraces the differences in culture and personalities. Our business allows us to witness first-hand the problems that prejudice, misinformation and exclusion are able to create across the world. It is therefore imperative that within our own workplace, we have emphasised the importance of embracing different perspectives and mutual respect so that we are able to ensure that employees across our global organisation are provided a platform to fully utilise their potential. Our stance is formally disclosed within our Diversity and Inclusion policy that can be accessed on our website.

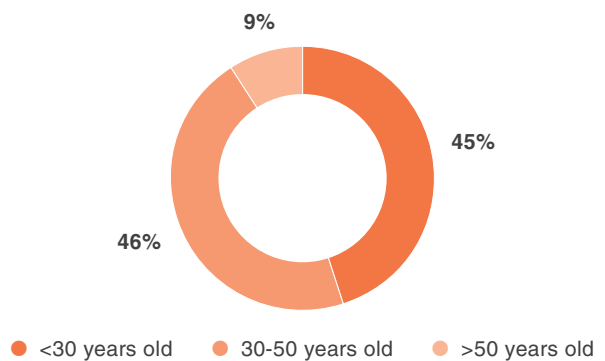
We are committed to providing equal opportunities for our employees and a zero-tolerance stance against discrimination or harassment based on race, religion, gender expression, age, disability status or sexual orientation. We continued to expand and implement initiatives aimed at dissipating stereotypes across our facilities. These include the provision of disabled and gender-neutral toilets, removal of gender, religious and sexual preference data from recruitment criteria as well as the provision of free transportation and accommodation for those employees living far away from our facilities that do not have access to public transport.

This has allowed us to create a dynamic environment as demonstrated by the diversity statistics encompassing employees from a range of ethnicity and age groups. The Industrial Estate Authority of Thailand recently recognised the efforts of our Thailand facilities and awarded them the prestigious Good Labour Practice award for their efforts in ensuring that our workplaces were free from gender discrimination, forced labour, child labour and opportunities for bribery. The independent assessment also evaluated the benefit system, worker welfare and operational health and safety at our facility.

Employees Breakdown by Gender



Employee Breakdown by Age Group



Our efforts to break down social stigma regarding the lesbian, gay, bisexual, transgender, queer, intersex and asexual community (LGBTQIA) includes encouraging our staff to display email signatures with Pride logos during the relevant month. We also received recognition for our efforts in furthering the sexual health agenda when the United States Food and Drug Administration announced that ONE® and MyONE® Custom Fit™ became the first and only condom brands to be approved for anal sex, not just vaginal sex. The news was reported across the world, including outlets like The New York Times, Boston Globe, Metro UK, The Daily Beast, and even Saturday Night Live.

Sustainability Statement

**II. HEALTH AND SAFETY**

The COVID-19 situation during the FY2022 took a turn for the worse as community transmission cases began to rise in Malaysia and Thailand. In order to ensure that all our staff were provided the proper protection and a working environment that they could feel safe in, we equipped our facilities with the necessary sanitization and testing equipment. This involved providing hand sanitizers, face masks and even arranging vaccinations for staff free of charge.

Staff who were in high-risk categories or had underlying health conditions were provided the option to work remotely to allow them to feel protected during difficult periods of the pandemic. At various times of the year, we provided transportation, meals, as well as equipment to enable our workers to be comfortable that their health and safety as well as that of their families were given full priority. Despite shutdowns and limited operating capacity imposed by the government, we also continued to pay full wages to our staff and did not make any COVID-19 related retrenchments.

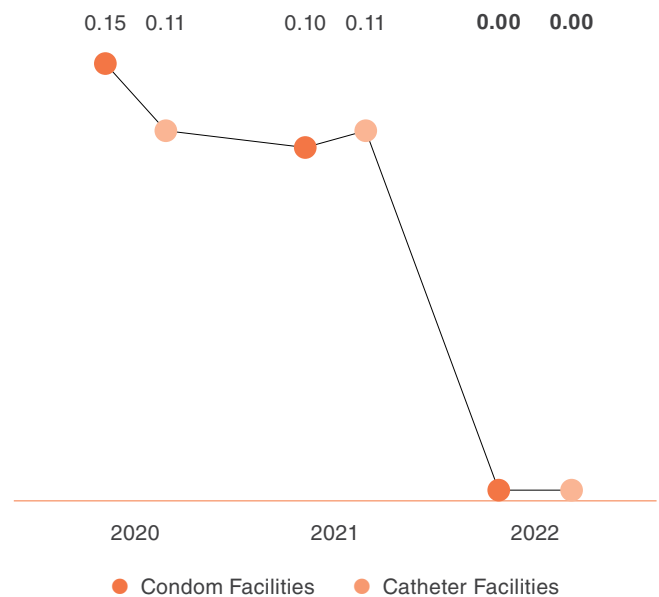
Another two of our facilities were successfully certified with ISO 45001 (Occupational Health & Safety Management Systems) during the year. We have also ensured that our facilities comply to the Occupational Safety and Health Act 1994 (Act 514) and adhere to the Industry Code of Practices. This involves contracting independent parties to conduct Health Identification Risk Assessment and Risk Control (HIRARC), Chemical Health Risk Assessment (CHRA) and noise monitoring to pre-emptively identify and manage potential hazards and risks in our workplace.

These efforts resulted in all condom manufacturing plants in Malaysia obtaining an inspection result of ‘Grade A’ by Department Occupational Health & Safety. These achievements reflect the efficacy of our Occupational Safety and Health Policy in covering a range of procedures covering emergency response, first-aid, evacuation, firefighting and crime prevention.

Our measures to prioritise employee health and safety include maintaining a Health, Safety, Environmental and Ethical (“HSEE”) Committee consisting of employee representatives as well as senior management representatives. Regular HSEE meetings have been conducted to facilitate better communication regarding the health and safety issues facing staff from time to time as well as keeping abreast as to the updates and action that has been taken to address issues that our staff have raised.

As a result of these measures, our staff are constantly being briefed and updated about the latest measures that we have taken to safeguard their wellbeing. In order to measure the efficacy of our efforts, we have also tracked the Loss Time Incident Frequency Rate (“LTIFR”) at our facilities over the last three years. LTIFR refers to the amount of time lost due to injuries occurring in the workplace per one million man-hours worked. The graph below summarises our LTIFR at all our manufacturing facilities in both Malaysia and Thailand with a notable achievement being that we recorded a zero incident rate for FY2022.

**Loss Time Incident Frequency Rate**  
(per 1 million workhours)



In the event of any emergencies, we have been mindful to ensure that our staff are afforded immediate access to medical attention and are adequately covered by health insurance. Our facilities operate sickbays around the clock so that medical attention and first aid can be administered whilst waiting for medical services to arrive. Health and safety notices and updates are also disseminated on all site notice boards in a multitude of languages so that employees are always made aware as to changes in operating procedures as well as emergency protocols.

## Sustainability Statement

### III. LABOUR PRACTICES

We believe that human rights are a fundamental entitlement of every individual and that it is imperative that we champion the fair treatment of our staff so that we can create a conducive culture that will allow them to reach their potential. In addition to ensuring strict compliance with labour laws, we have adopted the base codes set by the Ethical Trading Initiative as a commitment to ensuring that our working conditions are held to the internationally recognised standards of the International Labour Organisation conventions.

We have adopted a strict zero tolerance approach for all forms of modern slavery and forced labour. As such, following a comprehensive assessment performed by Impactt Limited, an independent company specialising in ethical trade, human rights and labour standards in 2019, we decided to suspend the hiring of migrant labour until we could be certain that procurement practices had taken these concerns into account at all levels. Although this was a difficult decision, we believe that we have a responsibility as a leader in the industry to remain committed to our values regarding human rights. We have also ensured that our hostels for foreign workers are in compliance with Act 446 (Employee' Minimum Standard of Housing, Accommodation and Amenities Act 1990).

In order to ensure that our approach towards prioritising human rights is observed at all times, we have decided to engage an external certification body to conduct a comprehensive four pillar SMETA audit on all of our manufacturing facilities covering labour standards, health and safety, management systems, business ethics and an environmental assessment. This also serves to provide customers comfort that we are constantly upholding our EESG commitments.

In addition to our efforts to ensure human rights are safeguarded within our internal labour practices, we have also communicated this commitment to our vendors and contractors. We have published our Human Rights Policy on our website so that all stakeholders are able to reference it at all times. Our stance on human rights is in line with the United Nations Guiding Principles on Business and Human Rights and is also communicated to suppliers explicitly in our Supplier's Code of Conduct. Care is also taken to ensure that suppliers uphold this commitment via notices in our external communications as well as during interviews of contractors as part of our vendor audit process.



## Sustainability Statement

Beyond the cultivation of a conducive working environment, we also frequently conduct training requirement analysis in order to ensure that our teams are constantly kept up to speed with the latest developments in their respective fields. We utilised electronic platforms and practical learning sessions to deliver technical training covering topics that included medical device regulations, quality assurance, health and safety, risk assessment, supply chain management and waste management. For the FY2022, our employees attended a total of 33,894 hours of training that equated to an average of 11.3 hours per employee for the year. In addition to this training, we have also sponsored further education for qualified staff and organised leadership development programmes aimed at accelerating the development of the next generation of management from within our Group.

We have also continued to expand and develop initiatives aimed at recognising the efforts and contributions of staff who have gone beyond their job scope to deliver extraordinary performances. These rewards include periodic spot awards, performance-based incentives and long service awards designed to align the interests of employees to our business goals as well as to cultivate a meritocratic culture within the organisation. Staff are always encouraged to provide their feedback and suggestions via suggestion boxes that are located around our facilities or during their annual staff surveys so that we are able to continue to consider new methods with which to improve our working environments.

In line with the culture that we intend to foster, we have also established a formal grievance mechanism to allow employees and other stakeholders to confidently disclose instances of misconduct including instances where they feel that their human rights have been violated. Employees are informed that anonymous reports may be made to department managers, human resources representatives or even directly via a whistleblowing platform. They are further provided assurance that our Group is committed to remedying the effects should a violation of their human rights be identified. Details of the whistleblowing platform are set out in the Governance section below and all reports received by employees regardless of method are held in strict confidence. In FY2022, we received no reports of incidents of human rights violations.



## Sustainability Statement

### GOVERNANCE

We conduct business utilising guiding principles that ensure that the interests of all our stakeholders are taken into account of at all times. We believe that ethical business practice is a responsibility and necessity that we must ensure in order to build long term value.



#### I. GOVERNANCE PRACTICES

A formal corporate governance structure has been established and communicated to all stakeholders in order to ensure that our business processes are run consistently, decisions are made without bias and any errors are able to be detected early so that they can be resolved. These policies are frequently reviewed and revised in order to ensure that they remain relevant and effective.

All employees in our Group are guided by the principles in the Code of Conduct. This ensures that practices concerning ethics and integrity are communicated to all employees during the induction process, always reinforced during frequent refresher courses and accessible on our company intranet and website. The Code of Conduct covers guidance on topics such as our stance on anti-bribery and corruption, human rights, data protection, procurement and ethical business practices.

We encourage employees, contractors or third parties to report incidences of corruption or grievances along with any other breaches of the Code of Conduct. In order to facilitate this, we have established an anonymous whistleblowing channel and made stakeholders aware that any concerns received are handled with discretion, seriousness and care by an independent third party. Notices about this channel have been made available in a variety of languages and displayed in various areas across our facilities to ensure that our staff are always aware of the avenues to raise their concerns.

The channel for communication for whistleblowing can be made to the Chairman of the Board of Directors, or the Audit Committee Chairman via email to [karex@whistleblowing.com.my](mailto:karex@whistleblowing.com.my) or post to the following mailbox which is handled independently by the Group's Internal Auditor:

**Moore Stephens Associates PLT**  
Suite 133, MBE Tropicana Gardens Mall  
LG-21, Tropicana Gardens Mall  
Jalan 2A, Tropicana Indah  
47410 Petaling Jaya  
Selangor Darul Ehsan, Malaysia.

This channel has also been published on our website and during the past three years, we recorded no incidences of bribery or corruption via this channel.

Additional corporate governance policies are detailed in the Corporate Governance Overview Statement located on pages of 46 to 56 this Report as well more comprehensively in our Corporate Governance Report that can be accessed at <http://www.karex.com.my/>. These documents provide further detail on the responsibilities of our Board, the composition details of our Board, whistleblowing policy and corporate reporting details amongst others.

## Sustainability Statement

**II. RISK MANAGEMENT PRACTICES**

A proper risk management framework is essential to enable our business to pre-emptively identify possible risks, problems or disasters before they happen, as well as to set up procedures aimed at avoiding or minimising the impact should they occur. These procedures are integral in allowing our organisation to define our objectives for the future and identify the external and internal risks that may hinder accomplishment of those objectives.

Our risk management team is made up of members from our Board and Senior Management Team who are then responsible for developing strategies to handle risks in order to enable more informed decision making moving forward. We are also audited by an independent internal auditor, Moore Stephens Associates PLT to periodically evaluate our internal compliance and control systems. This ensures that strategic decisions are undertaken with careful deliberation so that the interests of all stakeholders are always being prioritised.

Our risk management practices are detailed in the Statement of Risk Management and Internal Control located on pages of 62 to 65 this Report. These documents clearly outline the roles of the Risk Management Committee as well as the key risk focuses and mitigation plans that are in place to develop stronger internal controls.

This Sustainability Statement is made in accordance with the resolution of the Board dated 11 October 2022.



# Profile of Board of Directors



## Dato' Dr. Ong Eng Long @ Ong Siew Chuan

Chairman  
Senior Independent Non-Executive Director

**Malaysian      Male      78**

Dato' Dr. Ong Eng Long was appointed to the Board on 29 July 2013 as our Senior Independent Non-Executive Director and a member of the Audit Committee, Remuneration Committee and Risk Management Committee. On 29 August 2022, He was re-designated as the Chairman of the Board and ceased to be a member of the Risk Management Committee, Remuneration Committee and Chairman of the Nomination Committee of the Company.

He graduated from University of Malaya with a Bachelor of Science (Hons) Degree in 1969 and obtained a PhD from Queen Mary College, London in 1973.

He started off at the Rubber Research Institute of Malaysia ("RRIM") as a Senior Research Officer in 1973. He has held different positions in RRIM up to 1998 when it merged with two (2) other organisations to form the Malaysian Rubber Board.

He was the former Deputy Director General of the Malaysian Rubber Board from 1998 to May 2001 and the former Deputy CEO of Malaysian Rubber Export Promotion Council from 2001 to 2008.

He has been the Technical Advisor for Kossan Rubber Industries Bhd. since July 2008. He is also the Professor (Adjunct) of Rubber appointed by the Rubber Research Institute, Chinese Academy of Tropical Agricultural Sciences and an Industry advisory panel member of the Material Technology course of the Faculty of Industrial

Sciences and Technology, Universiti Malaysia Pahang. He has been involved with standards development for the past two decades. He was the Chairman of ISO/TC 157 Non-Systemic Contraceptives and STI Barrier Prophylactics from 2007 till December 2017 and the Chairman of ISO/TC 45 SC4 Rubber Products Other Than Hoses from 2005 till December 2017. ISO/TC 157 is the technical committee that is responsible for, amongst others, the international condom standards while ISO/TC 45 is responsible for, also amongst others, international rubber glove standards. He has more than 150 publications in areas of rubber science and latex dipped products.

He is the Immediate Past President of the Malaysian Rubber Product Manufacturers' Association. He was the President of the Institute of Chemistry, Malaysia from March 2014 till March 2018.

He has attended all Board Meetings held during the financial year ended 30 June 2022. He does not have any family relationship with any Director and/or Major Shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/ or penalties imposed on him by any relevant regulatory bodies, which were material and made public during the financial year ended 30 June 2022.

He does not hold any directorship in other public companies and listed issuers.

*The particulars of his shareholdings are set out on page 151 of this Annual Report.*

## Profile of Board of Directors



## Professor Dato' Dr. Adeeba binti Kamarulzaman

Independent Non-Executive Director

**Malaysian**      **Female**      **58**

Professor Dato' Dr. Adeeba binti Kamarulzaman was appointed to the Board on 16 January 2019 as our Independent Non-Executive Director. She is a member of the Audit Committee and Risk Management Committee. On 29 November 2021, she was appointed as a member of the Nomination Committee. On 29 August 2022, she was appointed as a member of the Remuneration Committee and re-designated as Chairwoman of the Nomination Committee.

She graduated from Monash University in 1987 and trained in internal medicine and infectious diseases at the Monash Medical Centre and Fairfield Infectious Diseases Hospital, Melbourne, Australia. She is presently Professor of Medicine and Infectious Diseases at the Faculty of Medicine, Universiti Malaya and was the Dean of Medicine from 2011 to 2019. She is an Adjunct Associate Professor at Yale University, USA. She established the Centre of Excellence for Research on AIDS (CERiA) that conducts multi-disciplinary research on HIV ranging from clinical studies to public health and policy research and is the Chairperson of the Malaysian AIDS Foundation and President of the International AIDS Society.

She holds numerous other positions in international bodies including as member of the WHO Science Council and Advisory Group of UNAIDS. She has played a critical role in the national response to the COVID-19 pandemic through her involvement as Chair of the UMMC COVID-19 Taskforce

and as Advisor to various state governments. She was recently appointed as a member of the Malaysian National Recovery Council and appointed as the commissioner of the Global Commission on Drug Policy.

Her achievements have been recognised through several national and international awards including the Tun Mahathir Science and Merdeka Awards for her role as a member of University of Malaya's Nipah Investigative Team. She is also the first recipient of the Advance Australia Global Award in the category of Alumni in 2012, and in April 2015 she was honoured with a Doctor of Laws (honoris causa) from her alma mater, Monash University. She has the distinct honour of having her achievements featured in both The Lancet and Science publications in 2013 and 2014 respectively.

She has attended 4 out of 5 Board Meetings held during the financial year ended 30 June 2022. She does not have any family relationship with any Director and/or Major Shareholder of the Company and has no conflict of interest with the Company. She has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on her by any relevant regulatory bodies, which were material and made public during the financial year ended 30 June 2022.

She does not hold any directorship in other public companies and listed issuers.

*The particulars of her shareholdings are set out on page 151 of this Annual Report.*

## Profile of Board of Directors



### Dato' Edward Siew Mun Wai

Independent Non-Executive Director

**Malaysian      Male      65**

Dato' Edward Siew Mun Wai was appointed to the Board on 27 November 2020 as our Independent Non-Executive Director and member of the Audit Committee. On 29 November 2021, he was appointed as Chairman of the Remuneration Committee and re-designated as Chairman of the Audit Committee. On 29 August 2022, he was appointed as a member of the Nomination Committee and Risk Management Committee.

He is a Fellow Member of the Institute of Chartered Accountants in England & Wales (ICAEW), Business Finance Professional and a Chartered Accountant of the Malaysian Institute of Accountants.

After completing his ICAEW with over 8 years public practice in London, he returned to Malaysia and worked briefly for a local bank until recruited to join HSBC in its Hong Kong headquarters. This was followed by over 26 years of international expatriation in C-suite roles at the L'Oreal Group and the Ciba-Geigy (now Novartis) Group, managing their subsidiaries in Melbourne, Seoul, Paris, Bangkok, Singapore, Jakarta, Taipei and Hong Kong. He was on the Boards of these subsidiaries representing the public listed parent company's interests.

Following his repatriation to Malaysia on the Talent Corp program, he was the Acting Global CEO/Global CFO of Crabtree & Evelyn London until its divestment.

From 2011-2014, he was an Independent Director and Audit Committee Chairman of an ASX-listed junior mining company. He was Vice-Chairman of the Taipei English School and Board member of the Taipei European Schools, Associate Faculty Member of the Othman Yeop Abdullah Graduate School of Business at Universiti Utara Malaysia, current member of the Sunway University Business School Industry Advisory Board and a pro-bono guest speaker at various local Universities and the Malaysian Institute of Corporate Governance.

Presently, he also sits on the board of directors of Malton Berhad and Prestar Resources Berhad as an Independent Non-Executive Director. He is a member of Malton Berhad's Audit Committee, Chairman of Prestar Resources Berhad's Audit Committee, and an Executive Director of a private company operating a premium grocery brand.

He has attended all the Board Meetings held during the financial year ended 30 June 2022. He does not have any family relationship with any Director and/or Major Shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on him by any relevant regulatory bodies, which were material and made public during the financial year ended 30 June 2022.

## Profile of Board of Directors



## Lam Juan Juan

Non-Independent Non-Executive Director

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**Australian**      **Female**      **70**

Lam Juan Juan was appointed to the Board on 30 November 2012 as our Non-Independent Non-Executive Director. She is the Chairwoman of the Risk Management Committee and a member of the Nomination Committee. She has a vast 40 years of experience from the financial and corporate management industry.

She started out in 1976, where she joined the Commercial Banking Company of Sydney, as a management trainee, where she gained a wide spectrum of retail banking experience before moving on to join Tricontinental Australia Limited in 1978. In 1979, she moved to Hong Kong and joined Toronto Dominion Bank in its Asia and Australasia Division, responsible for credit approvals of banks/corporate and monitoring country limits. In 1986, she joined the Canadian Imperial Bank of Commerce for three (3) years as the Corporate Marketing Manager in charge of major public listed companies and as well as corporate company accounts. She joined Barclays Bank PLC in 1989 as a private banker and resigned in June 2015 as a Senior Banker in the bank's Wealth Investment Management Division.

Subsequently, she worked in a private family office of one of the leading property developers in Hong Kong and had since retired in 2016. She has since been with the Hong Kong Office of Zedra Group, a major independent trust, corporate and fund services group, as Private Clients Advisor.

She graduated with a Bachelor of Economics majoring in Accounting and Commercial Laws from the University of Sydney, Australia in 1976. She is also a Fellow of Certified Public Accountant, Australia as well as a member of the Hong Kong Registered Financial Planners.

She has attended all Board Meetings held during the financial year ended 30 June 2022. Goh Yen Yen and Goh Leng Kian are her siblings and Goh Miah Kiat is her nephew. She is the spouse of Lam Yiu Pang, Albert, a major shareholder of the Company. She has no conflict of interest with the Company and has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on her by any relevant regulatory bodies, which were material and made public during the financial year ended 30 June 2022.

She does not hold any directorship in other public companies and listed issuers.

*The particulars of her shareholdings are set out on page 151 of this Annual Report.*

## Profile of Board of Directors



### Goh Yen Yen

Non-Independent Non-Executive Director

**Malaysian**      **Female**      **79**

Goh Yen Yen was appointed to the Board on 30 November 2012 as our Executive Director in Administration with over 20 years of experience in handling human resource, finance and administration system, internal quality auditing and also hands-on experience in budget, control and overhead cost and capital expenditure.

She is a member of the Remuneration Committee. On 31 August 2018, she was re-designated from Executive Director to Non-Independent Non-Executive Director. She graduated with a Bachelor's Degree of Art in Geography with Honours from the University of Malaya in 1969. Prior to joining Karex in 1996, she was a teacher in various secondary schools in Johor for 26 years.

She has attended all the Board Meetings held during the financial year ended 30 June 2022. Goh Leng Kian and Lam Jiu-an Jiu-an are her siblings and Goh Miah Kiat is her nephew. She has no conflict of interest with the Company and has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on her by any relevant regulatory bodies, which were material and made public during the financial year ended 30 June 2022.

She does not hold any directorship in other public companies and listed issuers.

## Profile of Board of Directors



## Goh Leng Kian

Executive Director  
Technical and R&D

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**Malaysian**      **Male**      **67**

Goh Leng Kian was appointed to the Board on 27 September 2012 as our Executive Director in Technical and Research and Development (“R&D”). He has over 30 years of experience in the rubber and latex industry.

His experience includes the establishment of the condom and catheter manufacturing plants, exposing him to a wide spectrum of roles including the supervision and management for the detail design, construction, installation, commissioning and testing of all related equipment, systems as well as the facilities of the projects.

His career started in 1980 with Ban Seng Hong Sdn. Bhd. as a Mechanical Engineer, where he was in charge of the engineering unit for the company’s rubber processing facilities. He joined our Group in 1988. He is currently responsible for overseeing our Group’s manufacturing facilities, including production and technical matters. This includes the construction and development of our condom dipping lines, electronic testing and foiling machines,

R&D activities such as improving the dipping process, new automation to improve production efficiency and product quality and overall yield of the factories as well as sourcing of new packaging machinery. He graduated with a Bachelor of Science Degree with Honours in Mechanical Engineering from the Loughborough University of Technology, UK in 1979.

He has attended all the Board Meetings held during the financial year ended 30 June 2022. Goh Yen Yen and Lam Juan Juan are his siblings and Goh Miah Kiat is his nephew. He has no conflict of interest with the Company and has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on him by any relevant regulatory bodies, which were material and made public during the financial year ended 30 June 2022.

He does not hold any directorship in other public companies and listed issuers.

## Profile of Board of Directors



### Goh Miah Kiat

Executive Director  
Chief Executive Officer

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**Malaysian**      **Male**      **44**

Goh Miah Kiat was appointed as our Chief Executive Officer on 29 July 2013. He became an integral part of our Group since 1999 and for over 10 years, he has been overseeing the marketing and logistics, international business dealings, brand development and coordination activities. He was appointed to the Board on 25 February 2020 as our Executive Director. On 29 August 2022, he resigned from the Risk Management Committee.

He has been acting as a representative of Malaysia in TC 157 (the technical committee for the standardisation of non-systemic contraceptives and STI barrier prophylactics) since year 2000.

Throughout his career, he has actively contributed to the development and promotion of condoms in Malaysia. He played a part in the development of the following:

- Global condom standard ISO4074
- MS ISO 16037:2010 in association with SIRIM, Malaysia
- ISCR/TC 8 - Non Systematic Contraceptives and STI Barrier Prophylactics

He graduated with a Bachelor's Degree in Economics and Management from the University of Sydney in 1999. He was named winner of the Master and Overall categories of the Ernst & Young Entrepreneur of the Year 2016 Malaysia award.

He has attended all the Board meetings held during the financial year ended 30 June 2022. He is the nephew of Goh Yen Yen, Goh Leng Kian and Lam Jiuan Jiuan, the Board members of the Company. He has no conflict of interest with the Company and has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on him by any relevant regulatory bodies, which were material and made public during the financial year ended 30 June 2022.

He does not hold any directorship in other public companies and listed issuers.

# Profile of Key Senior Management



## Goh Chok Siang

Chief Financial Officer

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**Malaysian      Male      51**

Goh Chok Siang was appointed as our Chief Financial Officer in April 2013. He obtained his professional qualification from the Association of Chartered Certified Accountants and has been a Chartered Accountant with the Malaysian Institute of Accountants since 1999. On 29 August 2022, he resigned from the Risk Management Committee.

He has over 20 years of experience in overseeing a variety of finance functions and served as Lion Group's Chief Accountant in 2007 where he was responsible for, amongst others, corporate exercises and financial reporting. He was also a Director in Wong Chau Hwa & Co, a public accounting firm where he was involved in strategy and business development prior to joining Karex.

He does not have any family relationship with any Director and/or Major Shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on him by any relevant regulatory bodies, which were material and made public during the financial year ended 30 June 2022.

He does not hold any directorship in other public companies and listed issuers.

## Profile of Key Senior Management



### Leong Weng Hong

Chief Human Resources Officer

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**Malaysian**      **Male**      **50**

Leong Weng Hong was appointed as our Chief Human Resources Officer in April 2015. He holds a Bachelor of Commerce Degree from Curtin University of Technology, Perth, Australia. He has over 20 years of experience in human resource management including management roles and functions in project start-ups, regional and global HR services hubs in various countries.

Following his graduation in 1994, he started his career with Public Bank.

Prior to joining Karex, he was with Bechtel Group, Inc. for 17 years. He served in their pioneer Kuala Lumpur office before embarking on international assignments in China, USA, UK, Chile, Australia and Canada over the next 14 years. He returned to Malaysia under Talentcorp's, Returning Expert Programme.

He does not have any family relationship with any Director and/or Major Shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on him by any relevant regulatory bodies, which were material and made public during the financial year ended 30 June 2022.

He does not hold any directorship in other public companies and listed issuers.

## Profile of Key Senior Management



## Wong Your Can

Chief Strategy Officer

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**Malaysian**      **Male**      **45**

Wong Your Can was appointed as our Chief Strategy Officer in October 2016. He holds a Bachelor of Business in Accountancy from RMIT University, Melbourne, Australia. He obtained his professional qualification from the Certified Public Accountant, Australia and is currently a Chartered Accountant with the Malaysian Institute of Accountants.

He began his career in the financial services industry with roles in financial reporting and assurance, gaining exposure across various industries. Following that, he accumulated working experience in the corporate finance space having raised funds in both the equity capital markets as well as debt capital markets. He was also involved in originating and executing a number of mergers and acquisitions.

He does not have any family relationship with any Director and/or Major Shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past 5 years other than traffic offences, if any. There were no sanctions and/or penalties imposed on him by any relevant regulatory bodies, which were material and made public during the financial year ended 30 June 2022.

He does not hold any directorship in other public companies and listed issuers.

# Corporate Governance Overview Statement

**This Corporate Governance Overview Statement is presented pursuant to Paragraph 15.25(1) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).**

## PRINCIPLE A

### BOARD LEADERSHIP AND EFFECTIVENESS

- I. Board Responsibilities
- II. Board Composition
- III. Remuneration

The objective of this Statement is to provide an overview of the application of the corporate governance practices of the Group during the financial year ended 30 June 2022 with reference to the three (3) main principles, i.e. Board Leadership and Effectiveness, Effective Audit and Risk Management, and Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders as set out in the Malaysian Code on Corporate Governance (“MCCG”) issued by Securities Commission on 28 April 2021.

## PRINCIPLE B

### EFFECTIVE AUDIT AND RISK MANAGEMENT

- I. Audit Committee
- II. Risk Management and Internal Control

The Board has also provided more disclosures on the application of each Practice in its Corporate Governance Report (“CG Report”). The CG Report was announced together with the Annual Report of the Company on 28 October 2022. Shareholders may obtain the CG Report by accessing this link <http://www.karex.com.my/> for further details and are advised to read this overview statement together with the CG Report.

At the start of the financial year 2022, Karex was not a “Large Company” as defined in the MCCG. Overall, the Board is of the view that the Company has, in all material aspects, complied with the Practices as set out in the MCCG except for the following practices. The reasons for these departures are explained in the respective practices of the CG Report.

## PRINCIPLE C

### INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

- I. Communication with Stakeholders
- II. Conduct of General Meetings

- Practice 1.4 on the Audit Committee composition and appointment of Board Chairman,
- Practice 5.2 on the Board Composition where at least half of the Board comprises independent directors,
- Practice 8.2 on the disclosure of the top five senior management’s remuneration on a named basis, and
- Practice 13.6 on the circulation of general meeting minutes.

## Corporate Governance Overview Statement

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS****I. BOARD RESPONSIBILITIES**

It is the overall governance responsibility of the Board to lead and control the Group. The Board, while overseeing the strategic direction and conduct of the business, leads the Group within a framework of effective controls and has embraced the responsibilities listed in the MCCG to effectively discharge the Board's stewardship and fiduciary responsibilities.

The Board has defined and formalised its Board Charter and it is published on the Company's website. The Board Charter serves as a reference for the Directors' fiduciary duties and the functions of the Board Committees. The Board reviews the Board Charter periodically to ensure that it remains relevant and consistent with the Board's objective, regulations, and best practices. The Board is also guided by key matters reserved for the Board for its deliberation and decision to ensure that the direction and control of the Group's businesses vested in its hands are managed and attended to effectively.

Certain Board authorities and discretion are delegated and conferred on the Executive Director and the Chief Executive Officer ("CEO") as well as on properly constituted Committees comprising Non-Executive Directors which operate within clearly defined Terms of Reference ("TOR").

There is a clear division of responsibilities between the Chairman and CEO to ensure an optimum and effective segregation of duty and authority. These key individuals play a vital role in bringing the Group to greater heights of success whilst ensuring strong foundation blocks of corporate governance, transparency, and integrity form part of its fundamentals.

The Board was led by Tun Dato' Seri Arshad Ayub, an Independent Non-Executive Director, who provided strong leadership, instilled and monitored good corporate governance practices, leadership, and effectiveness of the Board. As Chairman of the Board, Tun Dato' Seri Arshad Ayub had resigned from all Board Committees on 29 November 2021 in line with the best practices of the MCCG. Sadly, Tun Dato' Seri Arshad Ayub passed away on 14 June 2022.

Effective 29 August 2022, Dato' Dr. Ong Eng Long @ Ong Siew Chuan, a Senior Independent Non-Executive Director, has been appointed as the Chairman of the Board. The Chairman of the Board is not a member of the Nomination Committee or Remuneration Committee, however he is a member of Audit Committee. As the Board currently comprises of only three (3) Independent Directors following the demise of Tun Dato' Seri Arshad Ayub in June 2022, Dato' Dr Ong Eng Long @ Ong Siew Chuan had remained as a member of the Audit Committee to comply with Paragraph 15.09 of the MMLR and in line with MCCG Practice 9.4 whereby the Audit Committee should comprise solely of Independent Directors to enable exercising of independent judgment objectively in the best interests of the Company. The Nomination Committee will continue to identify qualified candidates to fill the positions of Independent Director.

The CEO, Goh Miah Kiat is responsible for the overall day-to-day running of the Group's operating units and implementation of the Group's policies and strategic plans established by the Board within a set of authorities delegated by the Board. The detailed roles and responsibilities of the Chairman and the CEO can be found in the Board Charter on the Company's website at <http://www.karex.com.my/>.

The Executive Directors and CEO are responsible for making and implementing operational and corporate decisions while the Non-Executive Directors balance the Board's accountability by providing their independent views, advice, and judgment to safeguard the interests of the shareholders.

The Board has unrestricted and timely access to all information necessary for the discharge of its responsibilities. All Directors also have access to the services and advice of Management and other independent professionals, at the expense of the Group in the discharge of their duties.

The Board has identified Dato' Dr. Ong Eng Long @ Ong Siew Chuan as the Chairman and Senior Independent Non-Executive Director, an alternative person for shareholders to approach to convey their concerns and seek clarification from the Board.

## Corporate Governance Overview Statement

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

#### I. BOARD RESPONSIBILITIES

##### Whistleblowing Policy

The Company has established a Whistleblowing Policy to provide clear lines of communication and reporting of concerns for employees at all levels. The channel for communication for whistleblowing can be made to the Board Chairman or Audit Committee Chairman via email to [karex@whistleblowing.com.my](mailto:karex@whistleblowing.com.my) or post to the following mailbox which is handled independently by the Group's Internal Auditor:

**Moore Stephens Associates PLT**  
Suite 133, MBE Tropicana Gardens Mall  
LG-21, Tropicana Gardens Mall  
Jalan 2A, Tropicana Indah  
47410 Petaling Jaya  
Selangor Darul Ehsan, Malaysia.

The Whistleblowing Policy is published on the Company's website.

##### Anti-Bribery Policy

The Company has established Anti-Bribery and Corruption Policy to have a clear and unambiguous policy statement on the Company's position regarding bribery and corruption i.e. a zero-tolerance approach against all forms of bribery and corruption, it sets out the guidelines which ensure business activities are conducted with integrity to avoid bribery and corruption in daily operations. The policy is disseminated to all employees together with an awareness training session and is made available and accessible on the Company's website at <http://www.karex.com.my/>.

##### Sustainability Governance

The Board recognises the importance of incorporating sustainability and governance alongside financial goals to achieve its long term objectives. A Sustainability Working Committee led by CEO was established to focus on developing and implementing sustainability initiatives within the Company.

The Sustainability Working Committee reports to the Risk Management Committee which oversees the formulation, implementation and effective management of the Company's sustainability strategies and targets. These strategies will be reviewed by the Board to ensure that the Company makes responsible decisions to achieve long term growth that is inclusive of all stakeholders. Further sustainability details could be found in the Sustainability Statement on pages 18 to 35 of this Annual Report.

##### Company Secretary

The Board is assisted by three (3) qualified and competent Company Secretaries. All Company Secretaries are members of the Malaysian Institute of Chartered Secretaries and Administrators. The Company Secretaries advise the Board, particularly with regards to compliance with regulatory requirements, guidelines, legislations, and the principles of best corporate governance practices.

Further information of the roles and responsibilities carried out by the Company Secretaries are set out in Practice 1.5 of the Company's CG Report.

##### Board Commitment

The underlying factors of the Directors' commitment to the Group are devotion of time and continuous improvement of knowledge and skill sets. The Board meets at least once every quarter and on other occasions, as and when necessary, to inter-alia approve quarterly financial results, statutory financial statements, the Annual Report, business plans, acquisition and expansion, as well as to review the performance of the Company and its operating subsidiaries, governance matters and other business development matters.

The Board papers are circulated to the Board members prior to the Board meetings to provide the Directors with relevant and timely information to enable them to conduct proper deliberation on board issues and to discharge their responsibilities with reasonable due care, skills, and diligence.

## Corporate Governance Overview Statement

During the financial year, five (5) Board meetings were held. The record of attendance of the Board members is as follows:

Director	Meetings Attendance
<b>Tun Dato' Seri Arshad Ayub</b> Chairman/Independent Non-Executive Director <i>(Demised on 14 June 2022)</i>	5/5
<b>Dato' Dr. Ong Eng Long @ Ong Siew Chuan</b> Senior Independent Non-Executive Director <i>(Appointed as Chairman on 29 August 2022)</i>	5/5
<b>Professor Dato' Dr. Adeeba binti Kamarulzaman</b> Independent Non-Executive Director	4/5
<b>Dato' Edward Siew Mun Wai</b> Independent Non-Executive Director	5/5
<b>Lam Juan Juan</b> Non-Independent Non-Executive Director	5/5
<b>Goh Yen Yen</b> Non-Independent Non-Executive Director	5/5
<b>Goh Leng Kian</b> Executive Director	5/5
<b>Goh Miah Kiat</b> Executive Director/Chief Executive Officer	5/5
<b>Wong Yien Kim</b> Independent Non-Executive Director <i>(Retired on 29 November 2021)</i>	3/3

## Corporate Governance Overview Statement

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

#### I. BOARD RESPONSIBILITIES

The Directors recognise the need to attend trainings to enable them to discharge their duties effectively. The training needs of each Director are identified and proposed by the individual Directors or Nomination Committee.

The following are trainings attended by the Directors during the financial year:

Director	Trainings Attended
<b>Dato' Dr. Ong Eng Long @ Ong Siew Chuan</b> Senior Independent Non-Executive Director <i>(Appointed as Chairman on 29 August 2022)</i>	<ul style="list-style-type: none"> <li>International Latex Conference 2021</li> </ul>
<b>Professor Dato' Dr. Adeeba binti Kamarulzaman</b> Independent Non-Executive Director	<ul style="list-style-type: none"> <li>International AIDS Society ("IAS") Science Conference</li> <li>IAS Governing Council Meeting - Training on IAS By-Laws and Risk Management</li> </ul>
<b>Dato' Edward Siew Mun Wai</b> Independent Non-Executive Director	<ul style="list-style-type: none"> <li>Corporate Liability Provision Section 17A of MACC Act 2009 (Amended 2018) Awareness</li> <li>Securities Commission Audit Oversight Board's Conversation with Audit Committees</li> </ul>
<b>Lam Jiuan Jiuan</b> Non-Independent Non-Executive Director	<ul style="list-style-type: none"> <li>BNP Investment Webcast</li> <li>Bursa Malaysia – Task Force on Climate Related Financial Disclosures ("TCFD") - Climate Related Financial Reporting</li> <li>Business Luncheon Zoom Meeting "Journey Together" by Zonta Club of Hong Kong East</li> </ul>
<b>Goh Yen Yen</b> Non-Independent Non-Executive Director	<ul style="list-style-type: none"> <li>"Securities Commission Guidelines on the Conduct of Directors of Listed Corporations and Their Subsidiaries" by Malaysian Institute of Corporate Governance</li> </ul>
<b>Goh Leng Kian</b> Executive Director	<ul style="list-style-type: none"> <li>"Securities Commission Guidelines on the Conduct of Directors of Listed Corporations and Their Subsidiaries" by Malaysian Institute of Corporate Governance</li> </ul>
<b>Goh Miah Kiat</b> Executive Director/ Chief Executive Officer	<ul style="list-style-type: none"> <li>Corporate Governance and Remuneration Practices for the ESG World</li> </ul>

## Corporate Governance Overview Statement

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS****II. BOARD COMPOSITION**

The Board has seven (7) members comprising one (1) Senior Independent Non-Executive Director who is also the Chairman, two (2) Independent Non-Executive Directors, two (2) Non-Independent Non-Executive Directors, and two (2) Executive Directors, constituting more than one-third (1/3) of Independent Directors.

The Board acknowledges the requirement of Practice 5.2 of the MCGG 2021 that at least half of the Board should comprise of Independent Directors, and the Nomination Committee will continue to search for suitable and qualified candidates to fill the positions of Independent Director.

The Board Chairman, being independent and non-executive, can chair effective meetings and discussion, promote active participation and critical discussions among the Board members and senior management. Hence, despite the Board having less than the recommended composition of Independent Directors, it is still effective in contributing objective opinions in the deliberations on policy and decision makings.

Pursuant to the constitution of the Company, an election of Directors shall take place each year at the Annual General Meeting of the Company, where one-third of the Directors for the time being, or nearest to one-third shall retire from office and be eligible for re-election.

The Board values independence greatly as it is important for ensuring objectivity and fairness in the Board's decision making. All Independent Directors of the Board comply with the criteria of 'independent directors' as prescribed in the MMLR.

The Board has adopted the following practices of the MCGG in order to uphold the independence of Independent Directors:-

- i. Subject to Board's justification and shareholders' approval, tenure of Independent Directors should not exceed a cumulative term of nine (9) years; and
- ii. Assessment of independence of its Independent Directors focusing on events that would affect the ability of Independent Directors to continue bringing independent and objective judgment to board deliberation and the regulatory definition of Independent Directors.

An Independent Director may continue to serve the Board upon completion of the nine (9) years subject to re-designation of the Independent Director as a Non-Independent Director. In the event the Board intends to retain the Independent Director as an Independent Director after serving a cumulative term of nine (9) years, the Board will provide justification for its decision and seek shareholders' approval through a two-tier voting process. All the Independent Directors have served the Board for less than nine (9) years as at 30 June 2022 except for the Senior Independent Non-Executive Director, Dato' Dr. Ong Eng Long @ Ong Siew Chuan who has reached his nine (9) years of service on the Board on 29 July 2022 and requires shareholders' approval for his continuance in office as Independent Non-Executive Director would be sought at the Tenth AGM through a two-tier voting process.

The Board is satisfied with the level of independence demonstrated by the Independent Director, his performance and contribution, as well as the ability to act in the best interest of the Company and/or the Group.

The Board members have diverse backgrounds and experiences in various fields. Collectively, they bring a broad range of skills, experience, and knowledge to direct and manage the Group's businesses. Championing diversity and equality within the Group, the Board provides fair and equal opportunities to individuals regardless of age, race, or gender. As such, there are three (3) capable female directors sitting on the Board, accounting for 43% of the Board's composition. The Board embraces diversity in the boardroom and views diversity as an imperative and believes that diversity is required to support the execution of its business strategy. Therefore, a range of perspectives coming from different walks of lives and various experiences at the Senior Management level of the Group is also highly cultivated. Accordingly, the Board does not discriminate any board member and board candidate on the grounds of race, gender, nationality, religious, sexual orientation, and family status.

The Diversity Policy can be found on the Company's website at <http://www.karex.com.my/>.

## Corporate Governance Overview Statement

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

#### II. BOARD COMPOSITION

##### Nomination Committee (“NC”)

The NC is established and maintained to ensure that there are formal and transparent procedures for the appointment of new directors to the Board and for the performance appraisal of directors. The current NC comprising Non-Executive Directors with a majority being Independent Non-Executive Directors are as follows:

Chairman/Chairwoman
Tun Dato’ Seri Arshad Ayub <i>(Retired on 29 November 2021)</i>
Dato’ Dr. Ong Eng Long @ Ong Siew Chuan <i>(Appointed as Chairman on 29 November 2021)</i> <i>(Resigned on 29 August 2022)</i>
Professor Dato’ Dr. Adeeba binti Kamarulzaman <i>(Appointed as member on 29 November 2021)</i> <i>(Appointed as Chairwoman on 29 August 2022)</i>
Members
Wong Yien Kim <i>(Retired on 29 November 2021)</i>
Lam Jiuan Jiuan
Dato’ Edward Siew Mun Wai <i>(Appointed on 29 August 2022)</i>

During the financial year, Tun Dato’ Seri Arshad Ayub retired as the Chairman of the NC on 29 November 2021 and was replaced by Dato’ Dr. Ong Eng Long @ Ong Siew Chuan. Professor Dato’ Dr. Adeeba binti Kamarulzaman was appointed as member on 29 November 2021 to replace Wong Yien Kim who had retired at the 9<sup>th</sup> AGM. On 29 August 2022, she was re-designated as Chairwoman of the NC following the resignation of Dato’ Dr. Ong Eng Long @ Ong Siew Chuan. Dato’ Edward Siew Mun Wai was appointed as a member of the NC on 29 August 2022.

The TOR sets out the duties and functions of the NC and can be found on the Company’s website.

The Company adopted the Directors’ Fit and Proper Policy on 29 June 2022 to guide the NC and the Board in reviewing and assessing potential candidates for appointment and re-election as Directors of the Company and its subsidiaries.

The Board recognises the value of appointing individual directors who bring a diversity of opinions, perspectives, skills, experiences, backgrounds and orientations to its discussions and decision-making processes.

In this context, and with the Board’s mandate, the NC establishes criteria to appraise its Board members focusing on:

- Constructive interaction during board meetings;
- Quality inputs and sharing of insights on board agenda;
- Board meeting attendance and preparation; and
- Independence for independent directors.

The NC is responsible for reviewing and making recommendations of any appointments to the Board for approval based on the size of the Board, the relevant mix of skills, experiences, and other qualities of the candidates. The Board will utilise independent sources if needed to identify suitably qualified candidates for new appointment to the Board in the future.

The NC reviews the tenure and performance of each retiring director, where the re-election of a director would be contingent on satisfactory evaluation of the director’s performance and contribution to the Board.

The NC has considered the assessments of Professor Dato’ Dr. Adeeba binti Kamarulzaman and Goh Yen Yen, the Directors standing for re-election at the forthcoming AGM and collectively agreed that they meet the criteria of character, experience, competence and time to effectively discharge their respective roles as Director.

The NC assists the Board in reviewing the composition of the Board members annually and ensures that the current composition of the Board functions competently and effectively.

The NC has conducted one (1) meeting during the financial year and a summary of key activities undertaken by the NC in discharging its duties are as below:-

- Reviewed and assessed the performance and effectiveness of the Board as a whole, the Board Committee, and the contribution of each individual director;
- Reviewed and assessed the independence of Independent Directors;
- Reviewed and recommended to the Board, the re-election of the Directors who will be retiring at the forthcoming Annual General Meeting;
- Reviewed and assessed the terms of office and performance of the AC and each of its members; and
- Reviewed and assessed the performance of the Senior Management.

## Corporate Governance Overview Statement

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS****II. BOARD COMPOSITION**

Based on the NC's assessment, the Board concluded that the current size and composition of the Board is balanced and sufficient for the time being. Utilising diverse skills, experience and knowledge, the Board as a whole and its Board Committees have been effective in discharging their functions. The NC and the Board are generally satisfied with the level of independence demonstrated by all the Independent Directors and their ability to bring independent and objective judgment to the Board deliberations. The NC also opined that the AC and all its members have carried out their duties in accordance with the TOR.

**III. REMUNERATION****Remuneration Committee ("RC")**

The RC is responsible for reviewing and recommending to the Board the remuneration policy and remuneration packages of Directors and Senior Management. Composition of the RC are as follows:

Chairman	Members
Tun Dato' Seri Arshad Ayub <i>(Retired on 29 November 2021)</i>	Dato' Dr. Ong Eng Long @ Ong Siew Chuan <i>(Resigned on 29 August 2022)</i>
Dato' Edward Siew Mun Wai <i>(Appointed as Chairman on 29 November 2021)</i>	Goh Yen Yen Professor Dato' Dr. Adeeba binti Kamarulzaman <i>(Appointed on 29 August 2022)</i>

During the financial year, Tun Dato' Seri Arshad Ayub retired as the Chairman of the RC on 29 November 2021 and was replaced by Dato' Edward Siew Mun Wai. On 29 August 2022, Dato' Dr. Ong Eng Long @ Ong Siew Chuan resigned as a member of the RC and was replaced by Professor Dato' Dr. Adeeba binti Kamarulzaman.

The TOR sets out their duties and functions of the RC and can be found on the Company's website.

The RC annually reviews the remuneration packages of the Executive and Non-Executive Directors for recommendation and approval by the Board. The remuneration of Directors is determined at levels which enables the Company to attract and retain Directors with the relevant experience and expertise to manage the business of the Group effectively. All Directors shall abstain from participating in the decision making of his or her remuneration.

The RC also evaluates the Senior Management's remuneration based on their Key Performance Indicators and deliverable business results, experience, expertise, skills and industry benchmarks. This remuneration is maintained at a level which enables the Company to attract, develop and retain high performing individual with the relevant experience and expertise.

During the financial year, one (1) RC meeting was held to review and recommend the adjustment of directors' remunerations and fees for the Board's and shareholders' approval respectively.

Subject to the shareholders' approval at the forthcoming AGM, the proposed Non-Executive Directors' fee for the financial year ended 30 June 2022 is RM600,000 whilst their benefits, comprising of meeting allowances are proposed to be capped at RM61,000 for the period from 1 December 2022 to 30 November 2023.

## Corporate Governance Overview Statement

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

## III. REMUNERATION

## Directors' Remuneration

The breakdown of the Directors' remuneration for the year ended 30 June 2022 are as follows:-

Director	Group					Company		
	Fees <sup>1</sup> RM	Salaries, Bonuses & Allowances <sup>2</sup> RM	Benefits <sup>3</sup> RM	EPF RM	Total RM	Fees <sup>1</sup> RM	Allowances <sup>2</sup> RM	Total RM
Tun Dato' Seri Arshad Ayub <sup>4</sup>	120,000	5,000	-	-	125,000	120,000	5,000	125,000
Dato' Dr. Ong Eng Long @ Ong Siew Chuan	90,000	6,500	-	-	96,500	90,000	6,500	96,500
Professor Dato' Dr. Adeeba binti Kamarulzaman	80,000	4,500	-	-	84,500	80,000	4,500	84,500
Dato' Edward Siew Mun Wai	80,000	5,500	-	-	85,500	80,000	5,500	85,500
Wong Yien Kim <sup>5</sup>	60,000	4,000	-	-	64,000	60,000	4,000	64,000
Lam Jiuan Jiuan	90,000	4,500	-	-	94,500	90,000	4,500	94,500
Goh Yen Yen	80,000	3,500	-	-	83,500	80,000	3,500	83,500
Goh Leng Kian	-	555,600	28,000	104,994	688,594	-	3,000	3,000
Goh Miah Kiat	-	724,600	15,500	136,914	877,014	-	4,000	4,000
	<b>600,000</b>	<b>1,313,700</b>	<b>43,500</b>	<b>241,908</b>	<b>2,199,108</b>	<b>600,000</b>	<b>40,500</b>	<b>640,500</b>

<sup>1</sup> Fees paid to Non-Executive Directors

<sup>2</sup> Salaries, bonuses and meeting allowances for Directors' attendance at each Board and Board Committee meeting

<sup>3</sup> Benefits in terms of car-related benefits

<sup>4</sup> Demised on 14 June 2022

<sup>5</sup> Retired on 29 November 2021

## Senior Management's Remuneration

The Board deliberated and concluded that the disclosure of Senior Managements' remuneration including the key management personnel in the Audited Financial Statements was adequate. This approach was arrived at having taken into consideration the sensitivity of Senior Managements' remuneration packages and the potential privacy, security, and staff poaching issues that may arise due to disclosure.

The Board wishes to provide assurance that the remuneration of Senior Management is continuously evaluated based on individual performance and potential to contribute in relation to the Group's overall performance.

## Corporate Governance Overview Statement

## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

## I. AUDIT COMMITTEE (“AC”)

The Board has established an effective and independent AC, comprising of highly accredited members who have vast experience in various fields. Presently, the AC comprises solely of Independent Non-Executive Directors and the Chairman of the AC is not the Chairman of the Board.

The responsibilities, composition and summary of work for the AC are outlined in the AC Report on pages 58 to 60 of this Annual Report.

The AC complies with the recommendation of MCCG requiring all members to be independent and at least one member fulfils the qualifications prescribed by the MMLR. Independence is an essential element for the AC members to fulfil their roles objectively and to provide critical and sound views in ensuring the integrity of financial controls and integrated reporting, while identifying and managing key risks. All members of the AC are financially literate.

The AC has adopted a policy that requires a former key audit partner to observe a cooling-off period of at least three (3) years before being appointed as a member of the AC and the said policy has been incorporated in the TOR of the AC which is available on the Company’s website.

The Board has defined its policy on suitability and independence of External Auditors engaged to assess, review, and evaluate the Group’s financial matters. In accordance with this policy, the AC will review the qualification, audit performance and execution, provision of non-audit service and tenure of service of the External Auditors. Annually, the AC also reviews the appointment, performance, and remuneration of the External Auditors before recommending them to the shareholders for re-appointment during the AGM.

KPMG PLT, the existing External Auditors of the Company, has in place a policy on rotation for partners of an audit engagement to ensure objectivity, independence, and integrity of the audit. The External Auditors have declared their independence to the Group and their compliance with By-Laws (on professional ethics, conduct and independence) of the Malaysian Institute of Accountants.

## II. RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its overall responsibilities for establishing and maintaining sound risk management and internal control systems, and for reviewing its adequacy and integrity.

The Board has an established on-going process for identifying, evaluating and managing significant risks which may affect the Company’s business objectives. The Board through its Risk Management Committee (“RMC”) reviews this process to ensure the internal control and risk management framework is adequate and effective. The present composition of the RMC are as follows:

<b>Chairwoman</b>
Lam Jiuan Jiuan
<b>Members</b>
Professor Dato’ Dr. Adeeba binti Kamarulzaman
Dato’ Dr. Ong Eng Long @ Ong Siew Chuan <i>(Resigned on 29 August 2022)</i>
Goh Miah Kiat <i>(Resigned on 29 August 2022)</i>
Goh Chok Siang <i>(Resigned on 29 August 2022)</i>
Dato’ Edward Siew Mun Wai <i>(Appointed on 29 August 2022)</i>

During the financial year, Dato’ Dr. Ong Eng Long @ Ong Siew Chuan, Goh Miah Kiat and Goh Chok Siang resigned as members of the RMC on 29 August 2022. Dato’ Edward Siew Mun Wai was appointed as a member of the RMC on 29 August 2022.

The details of the Group’s risk management and internal control framework are disclosed in the Statement on Risk Management and Internal Control on pages 62 to 65 of the Annual Report.

The internal audit function is outsourced to Moore Stephens Associates PLT, a chartered accounting firm. The internal audit function is headed by an Executive Director, with the support of a manager to oversee the audit assignments and an average of two (2) executives to carry out the audit fieldworks. The Executive Director in charge is a certified internal auditor and Chartered Member of Institute of Internal Auditors Malaysia, while the other team members are university graduates with adequate experience. The Internal Auditors have performed their work with reference to the principles of the International Professional Practice Framework of Institute of Internal Auditors. The AC will review the engagement between the Group and the Internal Auditors to ensure that the Internal Auditors’ objectivity and independence are not impaired or affected.

## Corporate Governance Overview Statement

### PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

#### I. COMMUNICATION WITH STAKEHOLDERS

Corporate disclosure and information are of the utmost importance for investors and shareholders. The Board is advised by Management, the Company Secretaries and the External and Internal Auditors on the contents and timing of disclosure requirements of the MMLR on the financial results and various announcements. The Board ensures that there is timely release of quarterly financial results, circulars, Annual Reports, corporate announcements, and press releases. In addition to the various announcements made, further information regarding the Company is available on the Company's website at <http://www.karex.com.my/>.

Promoting sustainability is part of the corporate responsibility of the Group. The Board has reported the sustainability initiatives undertaken by the Group on pages 18 to 35 of this Annual Report.

#### II. CONDUCT OF GENERAL MEETINGS

It has always been the Company's practice to maintain a good relationship with its shareholders. Major corporate developments and activities in the Company have always been duly and promptly announced to all shareholders, in line with Bursa Securities' objectives of ensuring transparency and good corporate governance practices. The CEO also holds regular analyst briefings and investor relations meetings as part of the Company's investor relation initiatives.

The CEO presents the Company's performance and major activities carried out during the financial year under review in each Annual General Meeting ("AGM") to provide meaningful information and encourage shareholder participation. During the AGM, shareholders have the opportunity to enquire and comment on the Company's performance, Company's direction and development, and operations. Similar information is also shared in the press conferences or press releases, if held during the year.

Given the significance of the AGM, the Notice of AGM is circulated at least twenty eight (28) days before the date of the meeting to provide shareholders sufficient time to go through the Annual Report and papers supporting the proposed resolutions.

All the resolutions set out in the Notice of the Ninth AGM were put to vote by poll and duly passed. The outcome of the AGM was announced to Bursa Securities on the same day as the meeting.

The Chairman plays a vital role in fostering constructive dialogue between the Board and the shareholders. All Directors including the Chair of all the respective Board Committees attended the last AGM, where the CEO provided shareholders with a brief review on the Group's financial performance and operations. The Board and the CEO also responded to questions posed by the shareholders. The Company has in the past published a summary of key matters discussed from each AGM on the website following the conclusion of each AGM. Moving forward, in an effort to improve transparency and communications with its' shareholders, the Company intends to publish the minutes of the forthcoming AGMs within 30 business days from each AGM.

The last AGM on 29 November 2021 was held virtually via an online meeting platform as a precautionary measure amidst the pandemic.

Shareholders who are unable to attend are allowed to appoint proxies to attend, participate, interact, and vote on their behalf.

This Corporate Governance Overview Statement is made in accordance with a resolution of the Board dated 11 October 2022.

# Additional Compliance Information

The following information is provided in accordance with Paragraph 9.25 of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad as set out in Appendix 9C for the financial year ended 30 June 2022, unless otherwise stated:

## 1. Utilisation of Proceeds

There were no proceeds raised from any corporate proposals during the financial year.

## 2. Audit and Non-Audit Fees

For the financial year ended 30 June 2022, the amount of audit and non-audit fees paid by the Company and the Group to KPMG PLT and its affiliates are as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Fees paid to external auditors and its affiliates				
Audit fees	393	398	85	85
Non-audit fees	5	37	5	37

## 3. Material Contracts Involving the Interest of Directors, Chief Executive and Major Shareholders

There was no material contract entered into by the Group involving the interest of Directors, Chief Executive and Major Shareholders, either subsisting as at the end of the current financial year or entered into since the end of the previous financial period.

The Chief Executive Officer is the Chief Executive who oversees and is primarily responsible for the overall group business operations.

## 4. Recurrent Related Party Transactions

The recurrent related party transaction of revenue nature incurred by the Group for the financial year did not exceed the threshold prescribed under Paragraph 10.09(1) of the MMLR.

# Audit Committee Report

The Board of Karex Berhad is pleased to present the Audit Committee Report for the financial year ended 30 June 2022.

## COMPOSITION AND MEETINGS

The Audit Committee (“AC”) comprises the following members and details of their attendance at the five (5) meetings held during the financial year ended 30 June 2022 are as follows: -

	Name of Directors	Attendance
Chairman	<b>Wong Yien Kim</b> Independent Non-Executive Director <i>(Retired on 29 November 2021)</i>	3/3
	<b>Dato’ Edward Siew Mun Wai</b> Independent Non-Executive Director <i>(Appointed as Chairman on 29 November 2021)</i>	5/5
Members	<b>Tun Dato’ Seri Arshad Ayub</b> Independent Non-Executive Director <i>(Retired on 29 November 2021)</i>	3/3
	<b>Dato’ Dr Ong Eng Long @ Ong Siew Chuan</b> Senior Independent Non-Executive Director	5/5
	<b>Professor Dato’ Dr. Adeeba binti Kamarulzaman</b> Independent Non-Executive Director	4/5

During the financial year, Dato’ Edward Siew Mun Wai was appointed as the Chairman of the AC on 29 November 2021 to replace Wong Yien Kim who had retired at the 9<sup>th</sup> AGM and Tun Dato’ Seri Arshad Ayub retired as a member of the AC on 29 November 2021.

The AC Chairman, Dato’ Edward Siew Mun Wai, is a Fellow Member of the Institute of Chartered Accountants in England & Wales (“ICAEW”), Business Finance Professional and a Chartered Accountant of the Malaysian Institute of Accountants. Accordingly, the Company complies with Paragraph 15.09(1)(c)(i) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).

During the financial year, the Nomination Committee has reviewed the performance and effectiveness of the AC based on the criteria as stated in the Corporate Governance Overview Statement and reported that the AC and its members have discharged their functions, duties and responsibilities in accordance with its Terms of Reference.

Further details of each AC member are listed under the Profile of Directors as set out on pages 36 to 42 of this Annual Report.

## TERMS OF REFERENCE (“TOR”)

The TOR of AC are published on the corporate website of the Company at <http://www.karex.com.my/> for shareholders’ reference pursuant to Paragraph 15.11 of MMLR. These TOR were updated in accordance with the practices in the Malaysian Code on Corporate Governance issued by Securities Commission on 28 April 2021 on the provisions of the composition requirements of AC members as well as the roles of AC Chairman and members.

## Audit Committee Report

**SUMMARY OF WORK**

The work carried out by the AC during the financial year with respect to their responsibilities are summarised as follows:

**Ensuring Financial Statements Comply with Applicable Financial Reporting Standards:**

- (a) Reviewed the financial positions, unaudited quarterly interim financial reports and announcements for the respective financial quarters prior to submission to the Board for consideration and approval. The review is to ensure that the Group's unaudited quarterly financial reporting and disclosures present a true and fair view of the Group's financial position and performance and are in compliance with the approved Malaysian Financial Reporting Standard and disclosure provision of the MMLR; and
- (b) Reviewed the audited financial statements for the financial year ended 30 June 2022 and discussed with the Management and External Auditors on the accounting principles and standards that were applied in the annual audited financial statements. As part of this review, the AC also considered the integrity of information in the financial statements focusing particularly on:
  - significant adjustments resulting from the audit, going concern assumption, completeness of disclosures and compliance with accounting standards;
  - changes in and implementations of major accounting policies and practices to the Group, if any;
  - significant matters and unusual events or transactions highlighted by the External Auditors; and
  - how these significant matters were addressed including the judgement of those involved and reservations, if any arising from the audit.

**Reviewing the Audit Findings of the External Auditors and Assessing their Performance, Suitability and Independence:**

- (a) Reviewed the audit plan of the External Auditors covering their scope of audit, methodology and timetable, audit materiality, and areas of focus prior to the commencement of their annual audit;
- (b) Assessed and discussed the External Auditors' audit status report covering the key audit matters, audit findings and recommendations relating to internal control deficiencies;
- (c) Met the External Auditors without the presence of executive Board Members and Management to further discuss matters arising from audit and assessed the co-operation and assistance given by Management to the External Auditors; and
- (d) Reviewed the fees and expenses paid to the External Auditors, including fees paid for non-audit services during the year and assessed the independence of the External Auditors for the re-appointment as External Auditors. The AC is of the opinion that the independence of the External Auditors has not been compromised based on the independent confirmation provided by the External Auditors.

**Reviewing the Audit Findings of the Internal Auditors and Assisting the Board in Reviewing the Effectiveness and Adequacy of Systems of Internal Control in the Key Operation Processes:**

- (a) Discussed with the Internal Auditors on the progress and coverage of the audit plan in its quarterly meetings to ensure that the audit scope remains relevant taking into consideration changes in the Group's operating environment;
- (b) Reviewed and discussed with the Internal Auditors, their audit findings, recommendations made, Management's responses to the audit findings and proposed action plans, including those issues arising during the course of audit (in the absence of Management, where necessary);

## Audit Committee Report

- (c) Reviewed the effectiveness and efficiency of the internal controls system in place and the risk factors affecting the Group as well as the action plans taken by Management to resolve the issues to ensure adequacy of the internal controls system;
- (d) Reviewed and established frameworks to address past internal audit findings, whilst further strengthening the Group's internal processes; and
- (e) Assessed the adequacy of the scope, independence, competency and cost of the Internal Audit function to ensure efficient and effective functionality of the Internal Auditors.

### Overseeing Governance Practices in the Company:

- (a) Reviewed the Corporate Governance Overview Statement, AC Report and Statement on Risk Management and Internal Control before recommending them to the Board for approval and inclusion in the Annual Report; and
- (b) Monitored the Group's involvement in related party transactions and ensured that these transactions were performed at arm's length basis, on normal commercial terms, and were not detrimental to the interests of minority shareholders.

### INTERNAL AUDIT FUNCTIONS

The Group's internal audit function was outsourced to Moore Stephens Associates PLT ("MS"), a chartered accounting firm. The outsourced Internal Auditors reports directly to AC and assist the Board via the AC in providing independent assessment of the adequacy, efficiency and effectiveness of the Group's risk management and internal control systems.

The Internal Auditors have performed their work in accordance with the principles of the international professional practice framework on internal auditing covering the conduct of audit planning, execution, documentations, communication of findings and consultation with key stakeholders on the audit concerns. In order to ensure that the audit is focused on relevant and appropriate risk areas, an internal audit plan was developed in consultation with Management, taking into consideration the Group's structure, concerns and the challenges faced. A new internal audit plan will be proposed and presented to the AC when appropriate for deliberation and approval before internal audit reviews are carried out.

The summary of work conducted and reported by the Internal Auditors to the AC during the AC's quarterly meetings in the current financial year are as follows:

- (i) Assessed the effectiveness and control procedures of production operation, quality assurance, health, safety and environment functions of two (2) subsidiaries;
- (ii) Assessed the effectiveness and control procedures of the operations of an overseas subsidiary;
- (iii) Assessed the effectiveness of sales, marketing, procurement and quality assurance functions of an overseas manufacturing facility; and
- (iv) Conducted follow-up reviews quarterly with Management to ensure implementation of the agreed audit recommendations.

The fee for internal audit function of the Group for the financial year ended 30 June 2022 was RM90,000.

This report is made in accordance with the resolution of the Board dated 11 October 2022.

# Directors' Responsibility Statement

The Directors of Karex Berhad ("the Company") are required to prepare financial statements for each financial year which have been made in accordance with the applicable financial reporting standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the state affairs of the Company and of the Group at the end of the financial year and of their results and cash flows for that financial year.

In preparing the financial statements of the Company and of the Group for the financial year ended 30 June 2022, the Directors of the Company have: -

- Adopted suitable accounting policies and applied them consistently;
- Made judgements and estimates that are reasonable and prudent;
- Ensured that applicable financial reporting standards have been followed; and
- Prepared the financial statements on a going concern basis as the Directors have a reasonable expectation, upon making enquiries, that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

The Directors are responsible to ensure that the Company and the Group maintain proper accounting records that disclose their financial positions with reasonable accuracy, in compliance with the Companies Act 2016.

The Directors are also responsible for taking such steps which are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraudulent and irregular activities.

# Statement on Risk Management and Internal Control

The Board of Directors (“the Board”) is pleased to present its Statement on Risk Management and Internal Control for the financial year ended 30 June 2022. This Statement is prepared pursuant to paragraph 15.26(b) and Practice Note 9 of the Main Market Listing Requirements (“MMLR”) and is guided by the “Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers” (“the Guidelines”) endorsed by Bursa Malaysia Securities Berhad (“Bursa Securities”).

## BOARD’S RESPONSIBILITY

Committed towards the maintenance of a sound internal control system and effective risk management structure, the Board sets appropriate policies on internal control and constantly seeks assurance of the adequacy and effectiveness of them. These policies and guidelines comply with applicable laws and rules of risk management, including the Malaysian Code of Corporate Governance.

The Board is also responsible for setting the business direction and for overseeing the conduct of the Group’s operations, including building a stronger foundation of internal control to effectively manage and mitigate risks faced by the Group. This solid foundation of internal controls has been ingrained into the Group’s corporate culture as a mechanism to safeguard shareholders’ interests and the Group’s assets.

## RISK MANAGEMENT AND INTERNAL CONTROLS

As part of Karex’s endeavour to continuously uphold high standards of corporate governance practices, the Board has established a Risk Management Committee (“RMC”), specifically to perform risk assessment, which relates to identifying and analysing the risks which could potentially affect the Group. This Committee is further assisted by the Group’s senior management personnel, who collectively form the Risk Management Working Committee (“RMWC”).

## Composition of the RMC:-

<b>Chairwoman</b>
<b>Lam Jiuan Jiuan</b> Non-Independent Non-Executive Director
<b>Members</b>
<b>Professor Dato’ Dr. Adeeba binti Kamarulzaman</b> Independent Non-Executive Director
<b>Dato’ Dr. Ong Eng Long @ Ong Siew Chuan</b> Senior Independent Non-Executive Director <i>(Resigned on 29 August 2022)</i>
<b>Goh Miah Kiat</b> Executive Director Chief Executive Officer <i>(Resigned on 29 August 2022)</i>
<b>Goh Chok Siang</b> Chief Financial Officer <i>(Resigned on 29 August 2022)</i>
<b>Dato’ Edward Siew Mun Wai</b> Independent Non-Executive Director <i>(Appointed on 29 August 2022)</i>

During the financial year, Dato’ Dr. Ong Eng Long @ Ong Siew Chuan, Goh Miah Kiat and Goh Chok Siang resigned as members of the RMC on 29 August 2022. Dato’ Edward Siew Mun Wai was appointed as a member of the RMC on 29 August 2022.

## RISK MANAGEMENT

The RMWC carries the responsibility of identifying, evaluating, monitoring and managing key risk areas which could potentially affect the achievement of the Group’s business objectives and strategies. Identification of risk appetite which commensurates with the structure, risk profile, complexity, activities and size of the Group is also performed by the RMWC, which is subsequently presented to the RMC for approval.

The RMC then continues to assess the key risks, controls and action plans identified to mitigate and manage the Group’s risk exposure in efforts to further strengthen the Group’s existing risk management framework. Major risks identified, together with the RMWC’s proposed action plans are then presented to the Board.

## Statement on Risk Management and Internal Control

Throughout the financial year in review, two (2) meetings were conducted by the RMC, which revolved around the analysis of emerging and existing strategic risks faced by the Group and the establishment of solid mitigation plans in managing the identified risks. Key matters raised during the meeting are as follows:

Key Risk Focus	Key Mitigation Plan
Information Technology ("IT") Risk	<ul style="list-style-type: none"> <li>• Apart from designated authorised users, staff have limited access to websites and were restricted from downloading software onto their workstations without prior approval from the IT Department.</li> <li>• Only authorised personnel are able to access servers and information shared whilst conducting virtual meetings.</li> <li>• Alerts and reminders were sent out to employees and customers to raise awareness regarding phishing emails.</li> <li>• The latest information regarding IT developments and security are published in the Company's intranet.</li> <li>• Engagement of independent information technology security vendor to perform a security assessment and provide recommendations for improvement.</li> </ul>
Foreign Worker/Social Compliance Risk	<ul style="list-style-type: none"> <li>• The Group continues to undertake various social compliance audits that are conducted by independent parties in order to ensure that labour standards are continuously upheld to the highest of international standards.</li> <li>• The Group maintains a direct channel of communication for employees and other external stakeholders via a whistleblowing policy should they feel the need to express concerns regarding their working conditions or human rights violations.</li> <li>• In addition to the Occupational Safety and Health Administration certification, our manufacturing facilities undertook a comprehensive Sedex Members Ethical Trade Audit ("SMETA") social audit to ensure the business adheres with the four key pillars of SMETA consisting of Labor Standards, Health and Safety, Environment and Business Ethics.</li> <li>• Continue to explore efficiency improvements and implement greater degrees of automation in order to reduce dependency on labour within manufacturing processes.</li> </ul>
Supply Chain	<ul style="list-style-type: none"> <li>• In order to source for competitive rates, consistent and better quality materials and reduce the occurrence of delivery delays, the Group is constantly in communication with multiple logistics providers.</li> <li>• The Group has explored several initiatives to optimise container utilisation with regards to shipments to subsidiaries in the USA and UK in order to reduce costs.</li> <li>• To make a concerted effort to shift shipping terms from Cost, Insurance and Freight (CIF) to Free on Board (FOB) with customers, wherever possible.</li> <li>• To secure buffer stocks of raw materials in order to prevent delivery delays and reduce price volatility that may disrupt production.</li> </ul>
Pandemic Risk	<ul style="list-style-type: none"> <li>• The Business Continuity Plan has been modified and executed in response to the pandemic risk, including the following: -             <ul style="list-style-type: none"> <li>– To provide cash incentives to employees in Thailand to encourage staff to opt for vaccination boosters.</li> <li>– Implemented relevant government and regulatory prescribed Standard Operating Procedures ("SOPs") for all plants.</li> <li>– Provision of self-test kits for staff to conduct regular testing before entering the plants and office premises.</li> </ul> </li> <li>• To review and expand the roles and responsibilities of Occupational &amp; Safety personnel to include monitoring of compliance with the SOPs, contingency measures and preventive measures established to curb the spread of the COVID-19 virus.</li> </ul>

## Statement on Risk Management and Internal Control

Key Risk Focus	Key Mitigation Plan
Succession Planning	<ul style="list-style-type: none"> <li>The Group's succession planning is being monitored and development evaluation is also conducted annually by management across the various facilities.</li> <li>Additional training and recruitment programs are being carried out for staff development and retention.</li> </ul>
Foreign Exchange Risk	<ul style="list-style-type: none"> <li>The movement of foreign exchange is constantly being monitored by the Group.</li> <li>Foreign currency exposure is mitigated through the utilisation of derivatives such as Forward Exchange Contracts in line with the Group's approved hedging policy.</li> </ul>

On the operational level, risk management remains a primary matter discussed in management meetings between the RMWC and Head of Departments ("HODs"). Involved in the daily affairs of the Group, these HODs are then required to monitor and implement action plans, while enforcing internal controls to manage the potential risks.

### INTERNAL CONTROLS

The key subsidiaries of the Group continue to be certified under the ISO 13485:2016 Quality Management System and the ISO 14001:2015 Environmental Management System. These management systems form the fundamentals of the operational procedures in ensuring consistency in production processes. Internal quality audits and independent surveillance audits are also conducted by external independent bodies to ensure compliance of the Group towards regulatory requirements. In addition, the Group continues to be certified and licensed by regulators from various countries.

Other key elements relating to the internal control system of the Group are as follows:

- The Group's organisation chart outlines the responsibilities, accountability and hierarchical structure of reporting lines;
- The structure establishes a clear reporting line for approval and authority of the Board, Chief Executive Officer ("CEO"), Senior Management and HODs for the transactions undertaken in the Group;
- As a precautionary step, risks faced by the Group have been insured to minimise financial exposure and losses. They include burglary, fire, stocks, money, fidelity guarantee, product liability and staff health and safety;
- Financial performance is reviewed by Executive Directors and CEO;
- Written policies and procedures on key processes of the Group are constantly being reviewed and enhanced to ensure its adequacy;

- Ongoing monthly management reporting procedures are executed to monitor and track the Group's performance; and
- Internal Auditors conduct testing of the effectiveness and adequacy of internal control procedures and processes and its compliance thereof.

### BOARD REVIEW MECHANISM

The Audit Committee ("AC") is entrusted by the Board with the responsibility of ensuring the objectivity of internal control systems within the Group. In order to enhance the effectiveness of risk management and internal control systems, the AC is assisted by the Internal Auditors, a body independent of the Group's activities and operations, to assess the adequacy and effectiveness of control of the selected key functions on a quarterly basis. The Group's External Auditors have also provided the AC with their professional views and feedback on the risk and control issues identified during the course of their statutory audit.

Areas for improvement identified by both Internal and External Auditors throughout the financial year in review have been deliberated by the Board and AC to maintain the integrity of internal controls. None of the reported control weaknesses have resulted in any material loss, contingencies or uncertainties that would require mention in the Annual Report. While the Group takes pride in its current comprehensive internal control framework, the Management Team continuously strives to further strengthen and enhance internal controls with assistance from both internal and external parties.

## Statement on Risk Management and Internal Control

In addition, management supplements the AC's review on control and understanding of risk issues when presenting their quarterly financial performance and results. Together with the Group's business development and the performance of its subsidiaries, the financial performance of the Group is then reviewed and thereafter recommended to the Board for approval before subsequently being publicly announced.

The Board has also defined the Code of Ethics for the Group and established a whistleblowing channel for reporting of violations against this code. Under this establishment, employees and stakeholders who know of or suspect any forms of violation are encouraged to report the incident.

### MANAGEMENT RESPONSIBILITIES AND ASSURANCE

In accordance to the Guidelines, Management is responsible to the Board for:

- Identifying risks relating to the Group's objectives and strategies;
- Designing, implementing and monitoring the risk management framework in accordance with the Group's strategic vision and overall risk appetite; and
- Identifying changes to risks or emerging risks, responding appropriately and promptly bringing these to the attention of the Board.

The Board has received assurance and affirmation from the CEO and Chief Financial Officer to the best of their knowledge that the Group's risk management and internal control systems are operating adequately and effectively in all material aspects.

### BOARD ASSURANCE AND LIMITATION

The Board confirms that the process for identifying, evaluating and managing significant risks in the Group is on-going. For the financial year under review, there was no material loss which resulted from significant control weaknesses. The Board is satisfied that the existing levels of risk management and internal controls are adequate and effective in enabling the Group to achieve its business objectives and operational efficiency and effectiveness.

The Board is of the view that the risk management and internal control systems in place for the year under review are adequate and effective in safeguarding the shareholders' investment, the interest of customers, regulators and employees, and the Group assets.

While the Board wishes to reiterate that risk management and systems of internal control are being continuously improved in line with evolving business development, it should be noted that the risk management systems and systems of internal control cannot fully eliminate all risks of failure to achieve business objectives. Therefore, these systems of internal control and risk management in the Group are only able to provide reasonable but not absolute assurance against material misstatements, frauds and losses.

### REVIEW OF STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL BY EXTERNAL AUDITORS

The External Auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, (previously Recommended Practice Guide 5 (Revised 2015)), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by Malaysian Institute of Accountants for inclusion in the Annual Report for the year ended 30 June 2022, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the Annual Report, in all material respects:

- (a) Has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
- (b) Is factually inaccurate.

AAPG 3 does not require the External Auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and Management thereon. The External Auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will, in fact, remedy the problems.

# Financial Statements

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# Directors' Report

For the year ended 30 June 2022

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2022.

## PRINCIPAL ACTIVITIES

The principal activity of the Company consists of investment holding. The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

## SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

## RESULTS

	Group RM'000	Company RM'000
(Loss)/Profit for the year attributable to:		
Owners of the Company	(6,191)	3,602

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the statements of changes in equity.

## DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend the payment of any dividend in respect of the current financial year.

## DIRECTORS

Directors who served the Company during the financial year until the date of this report are:

Tun Dato' Seri Arshad Ayub (demised on 14 June 2022)

Dato' Dr. Ong Eng Long @ Ong Siew Chuan

Professor Dato' Dr. Adeeba binti Kamarulzaman

Dato' Edward Siew Mun Wai

Wong Yien Kim (retired on 29 November 2021)

Lam Juan Juan

Goh Yen Yen

Goh Leng Kian\*\*

Goh Miah Kiat\*\*

\*\* These Directors are also Directors of the Company's subsidiaries.

## Directors' Report

For the year ended 30 June 2022

### DIRECTORS (CONTINUED)

The names of the Directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report (not including those Directors listed above) are:

Boong Siew Choon  
Goh Chok Siang

### DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings and Members are as follows:

Name of Directors	Interest	Number of ordinary shares			At 30 June 2022
		At 1 July 2021	Bought	Sold	
<b>Company</b>					
<b>Directors of the Company</b>					
Dato' Dr. Ong Eng Long @					
Ong Siew Chuan	Direct	860,000	-	-	- 860,000
Lam Jiuan Jiuan	Direct	19,087,456	-	-	- 19,087,456
	Deemed <sup>(1)</sup>	64,312,456	-	-	- 64,312,456
	Deemed <sup>(2)</sup>	198,089,600	-	-	- 198,089,600
Goh Yen Yen	Direct	72,062,456	-	-	(50,000,000) 22,062,456
	Deemed <sup>(3)</sup>	-	466,000	-	100,000,000 100,466,000
Goh Leng Kian	Direct	41,468,865	-	-	- 41,468,865
	Deemed <sup>(4)</sup>	184,250,000	-	-	- 184,250,000
	Deemed <sup>(1)</sup>	573,750	-	-	- 573,750
Goh Miah Kiat	Direct	48,650,097	-	-	- 48,650,097
	Deemed <sup>(4)</sup>	184,250,000	-	-	- 184,250,000

<sup>(1)</sup> Deemed interested by virtue of her/his equity interest held by her/his spouse pursuant to Section 59 (11)(c) of the Companies Act 2016.

<sup>(2)</sup> Deemed interested by virtue of her equity interest in AJNA Holdings Limited, Maharani Limited and Karex One Limited pursuant to Section 8 of the Companies Act 2016.

<sup>(3)</sup> Deemed interested by virtue of her equity interest in Maryen Holdings Limited pursuant to Section 8 of the Companies Act 2016.

<sup>(4)</sup> Deemed interested by virtue of his equity interest in Karex One Limited pursuant to Section 8 of the Companies Act 2016.

By virtue of their substantial interests in the shares of the Company, Lam Jiuan Jiuan, Goh Yen Yen, Goh Leng Kian and Goh Miah Kiat are also deemed interested in the ordinary shares of the wholly-owned subsidiaries during the financial year to the extent that Karex Berhad has an interest.

None of the other Directors holding office at 30 June 2022 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

## Directors' Report

For the year ended 30 June 2022

**DIRECTORS' BENEFITS**

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those shown as below) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

The Directors' benefits paid to or receivable by Directors in respect of the financial year ended 30 June 2022 are as follows:

	<b>From the Company RM'000</b>	<b>From subsidiary companies RM'000</b>
Directors of the Company:		
Fees	600	-
Remuneration	41	1,273
Contributions to the state plan	-	242
Estimated money value of any other benefits	-	44
Trading with companies in which certain Directors who have substantial financial interests and certain companies in the Group in the ordinary course of business		
- Sales of goods	-	113
	<b>641</b>	<b>1,672</b>

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

**ISSUE OF SHARES AND DEBENTURES**

There were no changes in the issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

**OPTIONS GRANTED OVER UNISSUED SHARES**

No options were granted to any person to take up unissued shares of the Company during the financial year.

**INDEMNITY AND INSURANCE COSTS**

During the financial year, the total amount of premium paid for insurance effected for Directors and officers of the Group and of the Company was RM41,000 for a total sum insured of RM10 million.

There were no indemnity given to, or insurance effected for auditors of the Company during the financial year.

**QUALIFICATION OF SUBSIDIARIES' FINANCIAL STATEMENTS**

The auditors' report on the audited financial statements of Company's subsidiaries did not contain any qualification or any adverse comments.

## Directors' Report

For the year ended 30 June 2022

### OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision has been made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 30 June 2022 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

## Directors' Report

For the year ended 30 June 2022

**AUDITORS**

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The details of remuneration paid by the Group and the Company to auditors of the Group and the Company during the financial year are as follows:

	<b>Group</b> <b>RM'000</b>	<b>Company</b> <b>RM'000</b>
Auditors' remuneration		
- Statutory audit		
KPMG PLT	292	85
Overseas affiliate of KPMG PLT	101	-
Other auditors	387	-
- Non-audit fees		
KPMG PLT	5	5
	<b>785</b>	<b>90</b>

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

**Goh Leng Kian**

Director

**Goh Miah Kiat**

Director

Date: 11 October 2022

# Statements of Financial Position

As at 30 June 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Assets</b>					
Property, plant and equipment	3	267,299	254,812	-	-
Right-of-use assets	4	27,017	30,646	-	-
Investments in subsidiaries	5	-	-	321,836	321,836
Intangible assets	6	97,166	95,546	-	-
Deferred tax assets	7	2,876	1,335	-	-
<b>Total non-current assets</b>		<b>394,358</b>	<b>382,339</b>	<b>321,836</b>	<b>321,836</b>
Inventories	8	152,359	131,232	-	-
Trade and other receivables	9	118,217	104,618	78,470	55,218
Contract assets	10	542	-	-	-
Current tax assets		3,266	2,490	35	-
Cash and cash equivalents	11	21,871	54,129	2,896	23,665
<b>Total current assets</b>		<b>296,255</b>	<b>292,469</b>	<b>81,401</b>	<b>78,883</b>
<b>Total assets</b>		<b>690,613</b>	<b>674,808</b>	<b>403,237</b>	<b>400,719</b>
<b>Equity</b>					
Share capital	12	324,244	324,244	324,244	324,244
Reserves	12	133,538	141,512	78,866	75,264
<b>Total equity</b>		<b>457,782</b>	<b>465,756</b>	<b>403,110</b>	<b>399,508</b>
<b>Liabilities</b>					
Loans and borrowings	13	52,930	29,466	-	-
Lease liabilities		16,119	19,010	-	-
Deferred tax liabilities	7	2,814	2,832	-	-
<b>Total non-current liabilities</b>		<b>71,863</b>	<b>51,308</b>	<b>-</b>	<b>-</b>
Loans and borrowings	13	50,922	63,652	-	1,000
Lease liabilities		3,597	3,744	-	-
Trade and other payables	14	94,645	76,768	127	129
Contract liabilities	10	9,249	12,680	-	-
Derivative financial liabilities	15	1,266	375	-	-
Current tax liabilities		1,289	525	-	82
<b>Total current liabilities</b>		<b>160,968</b>	<b>157,744</b>	<b>127</b>	<b>1,211</b>
<b>Total liabilities</b>		<b>232,831</b>	<b>209,052</b>	<b>127</b>	<b>1,211</b>
<b>Total equity and liabilities</b>		<b>690,613</b>	<b>674,808</b>	<b>403,237</b>	<b>400,719</b>

The accompanying notes form an integral part of the financial statements.

# Statements of Profit or Loss

For the year ended 30 June 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue	16	421,642	419,816	500	10,285
Cost of sales		(329,062)	(322,098)	-	-
<b>Gross profit</b>		<b>92,580</b>	<b>97,718</b>	<b>500</b>	<b>10,285</b>
Other income		4,182	4,561	1,795	3
Distribution expenses		(45,307)	(47,989)	-	-
Administrative expenses		(50,807)	(50,137)	(1,485)	(2,267)
Other expenses		(3,511)	(2,209)	-	(51)
<b>Results from operating activities</b>		<b>(2,863)</b>	<b>1,944</b>	<b>810</b>	<b>7,970</b>
Finance income		309	186	3,019	2,328
Finance costs	17	(3,934)	(2,664)	(7)	(20)
<b>Net finance (costs)/income</b>		<b>(3,625)</b>	<b>(2,478)</b>	<b>3,012</b>	<b>2,308</b>
<b>(Loss)/Profit before tax</b>		<b>(6,488)</b>	<b>(534)</b>	<b>3,822</b>	<b>10,278</b>
Tax credit/(expense)	18	297	680	(220)	(318)
<b>(Loss)/Profit for the year</b>	19	<b>(6,191)</b>	<b>146</b>	<b>3,602</b>	<b>9,960</b>
<b>(Loss)/Profit attributable to:</b>					
Owners of the Company		(6,191)	(1,020)	3,602	9,960
Non-controlling interest		-	1,166	-	-
<b>(Loss)/Profit for the year</b>		<b>(6,191)</b>	<b>146</b>	<b>3,602</b>	<b>9,960</b>
Basic and diluted losses per ordinary share (sen)	20	(0.59)	(0.10)		

The accompanying notes form an integral part of the financial statements.

# Statements of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2022

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>(Loss)/Profit for the year</b>	<b>(6,191)</b>	146	<b>3,602</b>	9,960
<b>Other comprehensive expense, net of tax Items that are or may be reclassified subsequently to profit or loss</b>				
Foreign currency translation differences for foreign operations	(1,783)	(7,902)	-	-
<b>Total comprehensive (expense)/ income for the year</b>	<b>(7,974)</b>	(7,756)	<b>3,602</b>	9,960
<b>Total comprehensive (expense)/ income attributable to:</b>				
Owners of the Company	(7,974)	(8,599)	3,602	9,960
Non-controlling interest	-	843	-	-
<b>Total comprehensive (expense)/ income for the year</b>	<b>(7,974)</b>	(7,756)	<b>3,602</b>	9,960

The accompanying notes form an integral part of the financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

	← Attributable to owners of the Company →						Non-controlling interest	Total equity
	← Non-distributable →			→ Distributable				
Note	Share capital RM'000	Merger reserve RM'000	Translation reserve RM'000	Other reserve RM'000	Retained earnings RM'000	Total RM'000	RM'000	RM'000
<b>Group</b>								
<b>At 1 July 2020</b>	281,980	63,511	17,949	718	115,991	480,149	4,951	485,100
Foreign currency translation differences for foreign operations/ <b>Total other comprehensive expense for the year</b>	-	-	(7,579)	-	-	(7,579)	(323)	(7,902)
(Loss)/Profit for the year	-	-	-	-	(1,020)	(1,020)	1,166	146
<b>Total comprehensive (expense)/income for the year</b>	-	-	(7,579)	-	(1,020)	(8,599)	843	(7,756)
<i>Contributions by and distributions to owners of the Company</i>								
Dividends to owners of the Company/ <b>Total transactions with owners of the Company</b>	-	-	-	-	(5,012)	(5,012)	-	(5,012)
Share issuance pursuant to acquisition of non-controlling interest	42,264	-	-	-	-	42,264	-	42,264
Change in ownership interest in a subsidiary	-	-	-	-	(43,046)	(43,046)	(1,978)	(45,024)
<b>Total changes in ownership interest in a subsidiary</b>	42,264	-	-	-	(43,046)	(782)	(1,978)	(2,760)
Dividends to non-controlling interest	-	-	-	-	-	-	(3,816)	(3,816)
<b>At 30 June 2021</b>	324,244	63,511	10,370	718	66,913	465,756	-	465,756

The accompanying notes form an integral part of the financial statements.

## Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

	← Attributable to owners of the Company →					Total	Non- controlling interest	Total equity
	Share capital	Merger reserve	Translation reserve	Other reserve	Retained earnings			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>								
<b>At 1 July 2021</b>	324,244	63,511	10,370	718	66,913	465,756	-	465,756
Foreign currency translation differences for foreign operations/ <b>Total other comprehensive expense for the year</b>	-	-	(1,783)	-	-	(1,783)	-	(1,783)
Loss for the year	-	-	-	-	(6,191)	(6,191)	-	(6,191)
<b>Total comprehensive expense for the year</b>	-	-	(1,783)	-	(6,191)	(7,974)	-	(7,974)
<b>At 30 June 2022</b>	324,244	63,511	8,587	718	60,722	457,782	-	457,782

The accompanying notes form an integral part of the financial statements.

# Statement of Changes in Equity

For the year ended 30 June 2022

	Note	← Attributable to owners of the Company →			Total equity RM'000
		← Non-distributable →		Distributable	
		Share capital RM'000	Merger reserve RM'000	Retained earnings RM'000	
<b>Company</b>					
<b>At 1 July 2020</b>		281,980	63,511	6,805	352,296
Profit and total comprehensive income for the year		-	-	9,960	9,960
<i>Contributions by and distributions to owners of the Company</i>					
Dividends to owners of the Company/ <b>Total transactions with owners of the Company</b>	21	-	-	(5,012)	(5,012)
Share issuance pursuant to the acquisition of non-controlling interest/ <b>Total changes in ownership interest in a subsidiary</b>		42,264	-	-	42,264
<b>At 30 June 2021/1 July 2021</b>		<b>324,244</b>	<b>63,511</b>	<b>11,753</b>	<b>399,508</b>
Profit and total comprehensive income for the year		-	-	3,602	3,602
<b>At 30 June 2022</b>		<b>324,244</b>	<b>63,511</b>	<b>15,355</b>	<b>403,110</b>

The accompanying notes form an integral part of the financial statements.

# Statements of Cash Flows

For the year ended 30 June 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Cash flows from operating activities</b>					
(Loss)/Profit before tax		(6,488)	(534)	3,822	10,278
<b>Adjustments for:</b>					
Bad debt written off		396	-	-	-
Depreciation and amortisation:					
- Property, plant and equipment		19,426	18,588	-	-
- Right-of-use assets		3,739	4,151	-	-
- Intangible assets		264	257	-	-
Fair value loss on derivative instruments		1,266	375	-	-
Finance costs	17	3,934	2,664	7	20
Impairment loss on:					
- Trade receivables		86	1,185	-	-
- Intangible assets		358	848	-	-
Inventories:					
- Allowance for slow-moving		1,007	271	-	-
- Written off		331	355	-	-
- Written down to net realisable value		635	321	-	-
Loss on remeasurement of lease liabilities		127	-	-	-
Written off for property, plant and equipment		175	334	-	-
Dividend income		-	-	(500)	(10,285)
Finance income		(309)	(186)	(3,019)	(2,328)
Gain on derecognition of right-of-use assets		(1)	-	-	-
Loss/(Gain) on disposal:					
- Property, plant and equipment		74	(131)	-	-
- Asset held for sale		-	(336)	-	-
<b>Operating profit/(loss) before changes in working capital</b>		<b>25,020</b>	<b>28,162</b>	<b>310</b>	<b>(2,315)</b>
Change in inventories		(23,100)	(3,296)	-	-
Change in trade and other receivables		(14,081)	(11,868)	(23,252)	8,007
Change in contract assets		(542)	316	-	-
Change in trade and other payables		17,962	1,812	(2)	(194)
Change in contract liabilities		(3,431)	4,303	-	-
<b>Cash generated from/(used in) operations</b>		<b>1,828</b>	<b>19,429</b>	<b>(22,944)</b>	<b>5,498</b>
Tax paid		(1,274)	(3,228)	(337)	(320)
<b>Net cash from/(used in) operating activities</b>		<b>554</b>	<b>16,201</b>	<b>(23,281)</b>	<b>5,178</b>

The accompanying notes form an integral part of the financial statements.

## Statements of Cash Flows

For the year ended 30 June 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Cash flows from investing activities</b>					
Acquisition of:					
- Property, plant and equipment	22	(35,508)	(56,313)	-	-
- Intangible assets	6	(75)	(48)	-	-
Proceeds from disposal of:					
- Property, plant and equipment		499	380	-	-
- Asset held for sale		-	617	-	-
Dividend received		-	-	500	10,285
Interest received		309	186	3,019	2,328
<b>Net cash (used in)/from investing activities</b>		<b>(34,775)</b>	<b>(55,178)</b>	<b>3,519</b>	<b>12,613</b>
<b>Cash flows from financing activities</b>					
Interest paid		(3,934)	(2,664)	(7)	(20)
Change in pledged deposits		(70)	(67)	-	-
Dividends paid to owners of the Company	21	-	(5,012)	-	(5,012)
Dividend paid to the non-controlling interest of a subsidiary		-	(3,816)	-	-
Repayments of:					
- bankers' acceptances		(6,348)	-	-	-
- hire purchase liabilities		(231)	(173)	-	-
- lease liabilities		(3,648)	(3,151)	-	-
- term loans		(7,776)	(6,053)	-	(857)
- trust receipt		-	(805)	-	-
- revolving credits		(2,500)	-	(1,000)	-
- export financing		(4,909)	-	-	-
Drawdown of:					
- bankers' acceptances		-	26,388	-	-
- export financing		-	8,555	-	-
- term loans		31,165	31,599	-	-
- revolving credit		-	1,965	-	1,000
<b>Net cash from/(used in) financing activities</b>		<b>1,749</b>	<b>46,766</b>	<b>(1,007)</b>	<b>(4,889)</b>
Effect of exchange rate fluctuations on cash held		144	(68)	-	-
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(32,328)</b>	<b>7,721</b>	<b>(20,769)</b>	<b>12,902</b>
<b>Cash and cash equivalents at 1 July</b>		<b>52,738</b>	<b>45,017</b>	<b>23,665</b>	<b>10,763</b>
<b>Cash and cash equivalents at 30 June</b>	11	<b>20,410</b>	<b>52,738</b>	<b>2,896</b>	<b>23,665</b>

The accompanying notes form an integral part of the financial statements.

## Statements of Cash Flows

For the year ended 30 June 2022

### Cash outflows for leases as a lessee

		Group	
	Note	2022 RM'000	2021 RM'000
<b>Included in net cash from operating activities</b>			
Payment relating to short-term leases	19	2,168	1,850
Payment relating to leases of low-value assets	19	14	14
<b>Included in net cash from financing activities</b>			
Payment of lease liabilities		3,648	3,151
Interest paid in relation to lease liabilities	17	790	1,010
<b>Total cash outflows for leases</b>		<b>6,620</b>	<b>6,025</b>

The accompanying notes form an integral part of the financial statements.

## Statements of Cash Flows

For the year ended 30 June 2022

Reconciliation of movement of liabilities to cash flows arising from financing activities

Group	At 1 July 2020		Net changes from financing activities		At 30 June 2021		Net changes from financing activities		At 30 June 2022	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trust receipt	805	(805)	-	-	-	-	-	-	-	-
Bankers' acceptances	15,674	26,388	-	-	42,062	(6,348)	-	-	718	36,432
Hire purchase liabilities	609	(173)	-	-	436	(231)	-	-	325	530
Term loans	11,630	25,546	-	-	37,176	23,389	-	-	290	60,855
Export financing	2,389	8,555	-	-	10,944	(4,909)	-	-	-	6,035
Revolving credits	535	1,965	-	-	2,500	(2,500)	-	-	-	-
Lease liabilities	20,875	(3,151)	4,460	(111)	22,754	(3,648)	618	(8)	-	19,716
<b>Total liabilities from financing activities</b>	<b>52,517</b>	<b>58,325</b>	<b>4,460</b>	<b>(111)</b>	<b>115,872</b>	<b>5,753</b>	<b>618</b>	<b>(8)</b>	<b>325</b>	<b>123,568</b>
<b>Company</b>										
Term loans	857	(857)	-	-	-	-	-	-	-	-
Revolving credits	-	1,000	1,000	-	1,000	(1,000)	-	-	(1,000)	-
<b>Total liabilities from financing activities</b>	<b>857</b>	<b>143</b>	<b>1,000</b>	<b>(1,000)</b>	<b>1,000</b>	<b>(1,000)</b>	<b>1,000</b>	<b>(1,000)</b>	<b>(1,000)</b>	<b>-</b>

The accompanying notes form an integral part of the financial statements.

# Notes to the Financial Statements

Karex Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are as follows:

## Principal place of business

Lot 594, Persiaran Raja Lumu  
Pandamaran Industrial Estate  
42000 Port Klang  
Selangor Darul Ehsan  
Malaysia

## Registered office

10<sup>th</sup> Floor, Menara Hap Seng  
No. 1 & 3, Jalan P. Ramlee  
50250 Kuala Lumpur  
Malaysia

The consolidated financial statements of the Company as at and for the financial year ended 30 June 2022 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”). The financial statements of the Company as at and for the financial year ended 30 June 2022 do not include other entities.

The principal activity of the Company consists of investment holding. The principal activities of the subsidiaries are disclosed in Note 5.

These financial statements were authorised for issue by the Board of Directors on 11 October 2022.

## 1. BASIS OF PREPARATION

### (a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group and the Company.

### ***MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022***

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

## Notes to the Financial Statements

**1. BASIS OF PREPARATION (CONTINUED)****(a) Statement of compliance (continued)*****MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023***

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

***MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed***

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plan to apply the abovementioned accounting standards, interpretations and amendments in the respective financial year when the above accounting standards, interpretations and amendments become effective, if applicable.

The initial application of the accounting standards, interpretations and amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company upon their first adoption.

**(b) Basis of measurement**

These financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

**(c) Functional and presentation currency**

These financial statements are presented in Ringgit Malaysia (“RM”), which is the Company’s functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

**(d) Use of estimates and judgements**

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

## Notes to the Financial Statements

### 1. BASIS OF PREPARATION (CONTINUED)

#### (d) Use of estimates and judgements (continued)

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 4 - extension options and incremental borrowing rate in relation to leases
- Note 6 - intangible assets
- Note 8 - valuation of inventories
- Note 24.4 - measurement of expected credit loss ("ECL")

### 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

#### (a) Basis of consolidation

##### (i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

##### (ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

## Notes to the Financial Statements

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(a) Basis of consolidation (continued)****(iii) Acquisitions of non-controlling interests**

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

**(iv) Restructuring among common shareholders**

During a restructuring where the combining entities are controlled by the same parties both before and after the combination, book value accounting is applied. The assets and liabilities acquired are recognised in the consolidated financial statements at their respective carrying amounts without restatement. The difference between the cost of acquisition and the nominal value of the shares acquired together with any other reserves of the combining entities are taken to merger reserve (or adjusted against any suitable reserve in the case of debit differences). The other components of equity of the acquired entities are added to the same components within group equity.

**(v) Loss of control**

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as a financial asset depending on the level of influence retained.

**(vi) Non-controlling interests**

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

**(vii) Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

## Notes to the Financial Statements

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (b) Foreign currency

##### (i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

##### (ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

## Notes to the Financial Statements

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(c) Financial instruments****(i) Recognition and initial measurement**

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

**(ii) Financial instrument categories and subsequent measurement*****Financial assets***

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

The categories of financial assets at initial recognition are as follows:

**(a) *Amortised cost***

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(j)(i)) where the effective interest rate is applied to the amortised cost.

**(b) *Fair value through profit or loss***

All financial assets not measured at amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

## Notes to the Financial Statements

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (c) Financial instruments (continued)

##### (ii) Financial instrument categories and subsequent measurement (continued)

###### *Financial assets (continued)*

###### (b) *Fair value through profit or loss (continued)*

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss are subject to impairment assessment (see Note 2(j)(i)).

###### *Financial liabilities*

The categories of financial liabilities at initial recognition are as follows:

###### (a) *Fair value through profit or loss*

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

- (a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
- (b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or
- (c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

## Notes to the Financial Statements

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(c) Financial instruments (continued)****(ii) Financial instrument categories and subsequent measurement (continued)*****Financial liabilities (continued)*****(b) Amortised cost**

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

**(iii) Regular way purchase or sale of financial assets**

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in the current year.

Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Settlement date accounting refers to:

- (a) the recognition of an asset on the day it is received by the Group or the Company, and
- (b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Group or the Company.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group or the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

**(iv) Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

## Notes to the Financial Statements

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (c) Financial instruments (continued)

##### (v) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

##### (vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

#### (d) Property, plant and equipment

##### (i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

## Notes to the Financial Statements

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(d) Property, plant and equipment (continued)****(ii) Subsequent costs**

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

**(iii) Depreciation**

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	20 - 50 years
Plant and machinery	10 - 20 years
Motor vehicles	5 - 10 years
Electrical installation, renovation, equipment, furniture and fittings	3 - 10 years

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

**(e) Leases****Definition of a lease**

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

## Notes to the Financial Statements

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (e) Leases (continued)

##### Definition of a lease (continued)

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

##### As a lessee

##### (i) Recognition and initial measurement

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

##### (ii) Subsequent measurement

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

## Notes to the Financial Statements

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(e) Leases (continued)****As a lessee (continued)****(ii) Subsequent measurement (continued)**

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

**(f) Intangible assets****(i) Goodwill**

Goodwill arising on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates and joint venture, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates and joint venture.

**(ii) Brands**

Brands that are acquired by the Group, which have indefinite useful lives, are measured at cost less any accumulated impairment losses.

**(iii) Patents and trademarks**

Patents and trademarks acquired by the Group, which have finite useful lives are measured at cost less any accumulated amortisation and any accumulated impairment losses.

**(iv) Other intangible assets**

Other intangible assets acquired by the Group, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses. Other intangible assets with indefinite useful lives are measured at cost less any accumulated impairment losses.

**(v) Subsequent expenditure**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

## Notes to the Financial Statements

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (f) Intangible assets (continued)

##### (vi) Amortisation

Goodwill and intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Other intangible assets with finite useful lives are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful lives for the current and comparative periods are as follows:

- Patents and trademarks 10 - 15 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

#### (g) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the first-in first-out method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

#### (h) Contract asset and contract liability

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments* (see Note 2(j)(i)).

A contract liability is stated at cost and represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

#### (i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

## Notes to the Financial Statements

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(j) Impairment****(i) Financial assets**

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost and contract assets. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for cash and bank balance for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a simplified approach.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

## Notes to the Financial Statements

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (j) Impairment (continued)

##### (ii) Other assets

The carrying amounts of other assets (except for inventories, contract assets, deferred tax assets and assets arising from employee benefits) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amount of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

#### (k) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

##### (i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

##### (ii) Ordinary shares

Ordinary shares are classified as equity.

## Notes to the Financial Statements

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(l) Income tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**(m) Borrowing costs**

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

## Notes to the Financial Statements

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (n) Revenue and other income

##### (i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following over time criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
- (b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

##### (ii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

##### (iii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

#### (o) Employee benefits

##### (i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

##### (ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

##### (iii) Defined benefit plans

The Group provides for post employment retirement benefits, payable to employees under the labour laws applicable in Thailand in respect of its subsidiaries incorporated in Thailand.

## Notes to the Financial Statements

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(o) Employee benefits (continued)****(iii) Defined benefit plans (continued)**

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realisable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

Actuarial gains and losses arising from defined benefit plans will be recognised as income or expense in the statement of other comprehensive income and all expenses related to defined benefit plans will be recognised as income and expense in profit or loss.

As the amount involved is not material to the Group. Accordingly, no further disclosure as required by the standard is made.

**(p) Earnings per ordinary share**

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

**(q) Operating segments**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

## Notes to the Financial Statements

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (r) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

## Notes to the Financial Statements

## 3. PROPERTY, PLANT AND EQUIPMENT

Group	Land	Plant	Equipment,	Electrical	Motor	Construction	Total
	and	and	furniture	and			
	buildings	machinery	and	and	vehicles	-in-progress	
	RM'000	RM'000	fittings	renovation	RM'000	RM'000	RM'000
<b>At cost</b>							
At 1 July 2020	96,137	192,127	26,395	36,157	5,809	17,203	373,828
Additions (see Note 22)	603	7,927	3,759	4,953	257	43,354	60,853
Disposals	-	(387)	(65)	-	(457)	(72)	(981)
Written off	-	(1,797)	-	-	-	(33)	(1,830)
Transfers	1,493	9,558	567	3,059	-	(14,677)	-
Translation differences	(2,794)	(4,272)	(263)	(1,163)	(89)	(1,052)	(9,633)
At 30 June 2021/1 July 2021	<b>95,439</b>	<b>203,156</b>	<b>30,393</b>	<b>43,006</b>	<b>5,520</b>	<b>44,723</b>	<b>422,237</b>
Additions (see Note 22)	415	4,275	1,866	639	434	28,021	35,650
Disposals	-	(682)	-	(173)	-	-	(855)
Written off	-	(619)	(151)	-	-	-	(770)
Transfers	24,453	22,973	189	4,522	-	(52,137)	-
Translation differences	(1,554)	(1,980)	(144)	(904)	(45)	(804)	(5,431)
At 30 June 2022	<b>118,753</b>	<b>227,123</b>	<b>32,153</b>	<b>47,090</b>	<b>5,909</b>	<b>19,803</b>	<b>450,831</b>
<b>Accumulated depreciation</b>							
At 1 July 2020	17,190	101,358	17,373	14,929	4,106	-	154,956
Depreciation charge	2,375	10,710	2,702	2,254	547	-	18,588
Disposals	-	(213)	(61)	-	(458)	-	(732)
Written off	-	(1,496)	-	-	-	-	(1,496)
Translation differences	(647)	(2,764)	(187)	(222)	(71)	-	(3,891)
At 30 June 2021/1 July 2021	<b>18,918</b>	<b>107,595</b>	<b>19,827</b>	<b>16,961</b>	<b>4,124</b>	-	<b>167,425</b>
Depreciation charge	2,401	11,269	2,645	2,594	517	-	19,426
Disposals	-	(242)	-	(40)	-	-	(282)
Written off	-	(457)	(138)	-	-	-	(595)
Translation differences	(397)	(1,679)	(137)	(192)	(37)	-	(2,442)
At 30 June 2022	<b>20,922</b>	<b>116,486</b>	<b>22,197</b>	<b>19,323</b>	<b>4,604</b>	-	<b>183,532</b>
<b>Carrying amounts</b>							
At 1 July 2020	78,947	90,769	9,022	21,228	1,703	17,203	218,872
At 30 June 2021/1 July 2021	<b>76,521</b>	<b>95,561</b>	<b>10,566</b>	<b>26,045</b>	<b>1,396</b>	<b>44,723</b>	<b>254,812</b>
At 30 June 2022	<b>97,831</b>	<b>110,637</b>	<b>9,956</b>	<b>27,767</b>	<b>1,305</b>	<b>19,803</b>	<b>267,299</b>

## Notes to the Financial Statements

**3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)****Land and buildings**

Included in the carrying amounts of land and buildings are:

	Group	
	2022 RM'000	2021 RM'000
Land	20,213	19,951
Buildings	77,618	56,570
	<b>97,831</b>	<b>76,521</b>

**3.1 Security**

The land and buildings and plant and machinery of the Group with a carrying amount of RM75,349,000 (2021: RM66,900,000) are charged to licensed banks as security for banking facilities granted as disclosed in Note 13.

**3.2 Leased motor vehicles**

The carrying amount of motor vehicles of the Group acquired under hire purchase agreements is RM726,000 (2021: RM611,000).

**3.3 Construction-in-progress**

Construction-in-progress consists of assets relating to condom production facilities, glove manufacturing facilities and other machineries which are in process of being built and assembled and are not ready for intended use.

**4. RIGHT-OF-USE ASSETS**

	Land RM'000	Buildings RM'000	Plant and equipment RM'000	Total RM'000
<b>Group</b>				
At 1 July 2020	15,955	14,083	87	30,125
Additions	4,772	-	-	4,772
Remeasurement	443	11	-	454
Derecognition	-	(188)	-	(188)
Depreciation	(558)	(3,543)	(50)	(4,151)
Translation differences	(490)	124	-	(366)
At 30 June 2021/1 July 2021	<b>20,122</b>	<b>10,487</b>	<b>37</b>	<b>30,646</b>
Remeasurement	491	-	-	491
Derecognition	-	(7)	-	(7)
Depreciation	(599)	(3,103)	(37)	(3,739)
Translation differences	(374)	-	-	(374)
At 30 June 2022	<b>19,640</b>	<b>7,377</b>	<b>-</b>	<b>27,017</b>

The Group leases a number of land, hostels, factory buildings and equipment that run between 1 year and 99 years, with an option to renew the lease after that date.

## Notes to the Financial Statements

**4. RIGHT-OF-USE ASSETS (CONTINUED)****4.1 Extension options**

Some leases of buildings contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where applicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

	Lease liabilities recognised (discounted)		Potential future lease payments not included in lease liabilities (discounted)		Historical rate of exercise of extension options	
	2022	2021	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000	%	%
<b>Group</b>						
Buildings	2,435	4,077	12,674	12,185	37	86

**4.2 Significant judgements and assumptions in relation to lease**

The Group assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. Group entities consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. Group entities first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

**4.3 Security**

At 30 June 2022, the land with a carrying amount of RM11,459,000 (2021: RM12,233,000) is charged to banks as security for banking facilities granted to the Company as disclosed in Note 13.

## Notes to the Financial Statements

## 5. INVESTMENTS IN SUBSIDIARIES

	Company	
	2022 RM'000	2021 RM'000
Cost of investment	321,836	321,836

Details of the subsidiaries are as follows:

Name of entity	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest	
			2022 %	2021 %
<b>Direct subsidiaries</b>				
Karex Industries Sdn. Bhd.	Manufacture and sale of condoms, rubber products, personal lubricants and others	Malaysia	100	100
Hevea Medical Sdn. Bhd.	Manufacture and sale of condoms, rubber products, personal lubricants and others	Malaysia	100	100
Innolates Sdn. Bhd.	Manufacture and sale of condoms, rubber products, personal lubricants and others	Malaysia	100	100
Innolates (Thailand) Limited*	Manufacture and sale of condoms, rubber products, personal lubricants and others	Thailand	100	100
Karex Global Limited*	Investment holding	Hong Kong	100	100
Medical-Latex (Dua) Sdn. Bhd.	Manufacture and sale of condoms, rubber products, personal lubricants and others	Malaysia	100	100
Karex Holdings Sdn. Bhd.	Investment holding	Malaysia	100	100
Karex International Sdn. Bhd.	Investment holding	Malaysia	100	100
Karex Marketing Sdn. Bhd.	Manufacturing and sale of hand sanitizers, trading products and others	Malaysia	100	100
Karex Polymers Limited*	Manufacturing of pre-vulcanised latex	Thailand	100	100
<b>Subsidiary of Karex Holdings Sdn. Bhd.</b>				
Pasante Healthcare Limited*	Wholesalers of healthcare products	United Kingdom	100	100
<b>Subsidiary of Karex Industries Sdn. Bhd.</b>				
Uro Technology Sdn. Bhd.	Manufacturing and sale of urinary urethral products	Malaysia	100	100
<b>Subsidiary of Karex Global Limited</b>				
Global Protection Corporation*	Distribution, packaging and marketing of condoms and related products	United States of America	100	100
<b>Subsidiary of Global Protection Corporation</b>				
Global Protection Corp UK Limited*	Dormant	United Kingdom	100	100

\* Not audited by KPMG PLT

## Notes to the Financial Statements

## 6. INTANGIBLE ASSETS

	Goodwill RM'000	Brands RM'000	Patents and trademarks RM'000	Other intangible assets RM'000	Total RM'000
<b>Group</b>					
<b>At cost</b>					
At 1 July 2020	27,230	62,373	2,847	5,947	98,397
Addition	-	-	48	-	48
Effect of movements in exchange rates	-	(976)	33	-	(943)
At 30 June 2021/1 July 2021	<b>27,230</b>	<b>61,397</b>	<b>2,928</b>	<b>5,947</b>	<b>97,502</b>
Addition	-	-	75	-	75
Effect of movements in exchange rates	-	<b>1,983</b>	<b>234</b>	-	<b>2,217</b>
At 30 June 2022	<b>27,230</b>	<b>63,380</b>	<b>3,237</b>	<b>5,947</b>	<b>99,794</b>
<b>Accumulated amortisation</b>					
At 1 July 2020	-	-	872	-	872
Amortisation charge	-	-	257	-	257
Effect of movements in exchange rates	-	-	(21)	-	(21)
At 30 June 2021/1 July 2021	-	-	<b>1,108</b>	-	<b>1,108</b>
Amortisation charge	-	-	<b>264</b>	-	<b>264</b>
Effect of movements in exchange rates	-	-	<b>50</b>	-	<b>50</b>
At 30 June 2022	-	-	<b>1,422</b>	-	<b>1,422</b>
<b>Accumulated impairment loss</b>					
Impairment loss/At 30 June 2021	-	848	-	-	848
At 1 July 2021	-	<b>848</b>	-	-	<b>848</b>
Impairment loss	-	-	-	<b>358</b>	<b>358</b>
At 30 June 2022	-	<b>848</b>	-	<b>358</b>	<b>1,206</b>
<b>Carrying amounts</b>					
At 1 July 2020	27,230	62,373	1,975	5,947	97,525
At 30 June 2021/1 July 2021	27,230	60,549	1,820	5,947	95,546
At 30 June 2022	<b>27,230</b>	<b>62,532</b>	<b>1,815</b>	<b>5,589</b>	<b>97,166</b>

**Other intangible assets**

Other intangible assets comprise of patents, distribution rights, websites, quality certifications and others that are related to fitted condom and former production.

## Notes to the Financial Statements

**6. INTANGIBLE ASSETS (CONTINUED)****Amortisation**

The brands and the other intangible assets are of such nature that they will continue to remain relevant to the Group in terms of access to market, brand loyalty from customers, innovative business platform and restriction of new entrant. The management expects the brands and the other intangible assets to generate net cash inflows indefinitely into the future. As a result, no amortisation is provided against the carrying value of the brands and the other intangible assets as the management believes that the lives of such assets are indefinite at this point.

The amortisation of patents and trademarks which have finite useful life are recognised and charged to the administration expenses.

**Impairment testing for cash-generating units (“CGU”) containing intangible assets**

For the purpose of impairment testing, brands and other intangible assets with indefinite useful lives are allocated to the Group’s manufacturing and distribution units which represent the lowest level within the Group at which the intangible assets are monitored for internal management purpose.

The aggregate carrying amount of the intangible assets allocated to each unit are as follows:

	Goodwill		Brands		Other intangible assets	
	2022 RM’000	2021 RM’000	2022 RM’000	2021 RM’000	2022 RM’000	2021 RM’000
Pasante Healthcare Limited (“Pasante”)	27,230	27,230	-	-	-	-
“ONE” brand manufacturing and distribution	-	-	28,432	26,449	-	-
“Trustex” brand manufacturing and distribution	-	-	34,100	34,100	-	-
Other intangible assets related to fitted condom	-	-	-	-	5,589	5,589
Other intangible assets related to former production	-	-	-	-	-	358
	<b>27,230</b>	<b>27,230</b>	<b>62,532</b>	<b>60,549</b>	<b>5,589</b>	<b>5,947</b>

**Goodwill**

Goodwill was generated upon acquisition of Pasante. The recoverable amount for goodwill were based on its value in use, determined by discounting the future cash flows to be generated from the CGU and were based on the following key assumptions:

- i) Cash flows were projected based on 10-year plan and an estimated terminal value.
- ii) Revenue were projected based on growth rate of 8.00% - 13.00% on historical sales performance.
- iii) Profit margins were based on the historical performance of the distribution units and remain constant throughout the projected period.
- iv) A pre-tax discount rate of 14.1% was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the industry’s weighted average cost of capital.

## Notes to the Financial Statements

**6. INTANGIBLE ASSETS (CONTINUED)****Brands**

The recoverable amount for Brands were based on their value in use, determined by discounting the future cash flows to be generated from the CGU and were based on the following key assumptions:

- i) Cash flows were projected based on 10-year plan and an estimated terminal value.
- ii) Revenue of condoms manufacturing and distribution units were projected based on adult population that uses condom of the target territories. Revenue of gloves manufacturing and distribution unit was projected based on management estimation on production output and industry trend.
- iii) Profit margins were based on the historical performance of the manufacturing and distribution units for condoms and management expectations for market development on gloves business which remain constant throughout the projected period.
- iv) Pre-tax discount rates of 13.7% to 14.7% were applied in determining the recoverable amount of the units. The discount rates were estimated based on the industry's weighted average cost of capital.

**Other intangible assets related to fitted condoms**

The recoverable amount for the other intangible assets were based on its value in use, determined by discounting the future cash flows to be generated from the CGU and were based on the following key assumptions:

- i) Cash flows were projected based on 10-year plan and an estimated terminal value.
- ii) Revenue was projected based on adult population that uses condom of the target territories.
- iii) Profit margin was based on the historical performance of the manufacturing and distribution units and remain constant throughout the projected period.
- iv) A pre-tax discount rate of 14.6% was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the industry's weighted average cost of capital.

The value assigned to the key assumptions represents management's assessment of future trends in the industry and are based on both internal and external sources.

Based on the management assessment, no impairment is required as the recoverable amount was higher than carrying amount of the above intangible assets, except for the brand "NüVo" which the carrying amount had been fully impaired in prior year.

## Notes to the Financial Statements

## 6. INTANGIBLE ASSETS (CONTINUED)

## Other intangible assets related to fitted condoms (continued)

The following table shows the reduction of recoverable amount with the changes in the key assumptions which are particularly sensitive:

	1 percentage point change in revenue growth		1 percentage point change in gross profit margin		1 percentage point change in discount rate	
	2022	2021	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Pasante	9,436	10,764	4,596	6,078	6,150	8,219
“ONE” brand manufacturing and distribution	8,792	8,975	6,220	4,910	13,058	13,835
“Trustex” brand manufacturing and distribution	6,991	6,651	8,790	4,199	11,136	11,863
Other intangible assets related to fitted condom	1,784	1,403	876	481	851	904

## 7. DEFERRED TAX ASSETS/(LIABILITIES)

## Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2022	2021	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>						
Property, plant and equipment	-	-	(13,408)	(11,923)	(13,408)	(11,923)
Unutilised business losses	2,774	2,287	-	-	2,774	2,287
Unutilised reinvestment allowances	1,932	1,227	-	-	1,932	1,227
Unutilised capital allowances	7,418	4,048	-	-	7,418	4,048
Inventories	2,146	1,438	-	-	2,146	1,438
Trade receivables	1,337	2,171	(1,688)	-	(351)	2,171
Assets and liabilities not currently deductible/taxable for tax purposes	-	12,162	-	(13,672)	-	(1,510)
Others	402	920	(851)	(155)	(449)	765
Tax assets/(liabilities)	16,009	24,253	(15,947)	(25,750)	62	(1,497)
Set off of tax	(13,133)	(22,918)	13,133	22,918	-	-
Net tax assets/(liabilities)	2,876	1,335	(2,814)	(2,832)	62	(1,497)

## Notes to the Financial Statements

## 7. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

## Movement in temporary differences during the year

	At 1 July 2021 RM'000	Recognised in profit or loss (Note 18) RM'000	At 30 June 2022 RM'000
<b>Group</b>			
Property, plant and equipment	(11,923)	(1,485)	(13,408)
Unutilised business losses	2,287	487	2,774
Unutilised reinvestment allowances	1,227	705	1,932
Unutilised capital allowance	4,048	3,370	7,418
Inventories	1,438	708	2,146
Trade receivables	2,171	(2,522)	(351)
Assets and liabilities not currently deductible/taxable for tax purpose	(1,510)	1,510	-
Others	765	(1,214)	(449)
	(1,497)	1,559	62

	At 1 July 2020 RM'000	Recognised in profit or loss (Note 18) RM'000	At 30 June 2021 RM'000
<b>Group</b>			
Property, plant and equipment	(11,336)	(587)	(11,923)
Unutilised business losses	3,093	(806)	2,287
Unutilised reinvestment allowances	-	1,227	1,227
Unutilised capital allowance	3,059	989	4,048
Inventories	1,361	77	1,438
Trade receivables	985	1,186	2,171
Assets and liabilities not currently deductible/taxable for tax purpose	(3,210)	1,700	(1,510)
Others	534	231	765
	(5,514)	4,017	(1,497)

## Notes to the Financial Statements

**7. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)****Movement in temporary differences during the year (continued)**

The unutilised business losses and unutilised reinvestment allowances are available for offsetting against future taxable profits of the respective entities within the Group, subject to guidelines issued by the respective tax authority as follows:

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Within 5 years of recognition	<b>1,932</b>	461
Within 7 years of recognition	-	3,053
Within 10 years of recognition	<b>2,774</b>	-
	<b>4,706</b>	3,514

Pursuant to the Finance Act 2021, unutilised business losses up to the year of assessment 2018 can be carried forward until year of assessment 2028 and unutilised business losses for the year of assessment 2019 onwards can be carried forward up to 10 consecutive years of assessment immediately following that year of assessment.

In prior year, unutilised tax losses can only be carried forward up to 7 consecutive years of assessment.

Unutilised capital allowances do not expire under respective tax authority.

**Unrecognised deferred tax assets**

Deferred tax assets have not been recognised in unutilised tax losses of a subsidiary amounting to RM4,929,000 (2021: NIL) because it is not probable that future taxable profit will be available against which the subsidiary can utilise the benefits therefrom.

## Notes to the Financial Statements

## 8. INVENTORIES

	Group	
	2022 RM'000	2021 RM'000
Raw materials	39,176	38,741
Work-in-progress	42,595	32,493
Finished goods	68,457	57,721
Chemicals and factory supplies	2,131	2,277
	<b>152,359</b>	<b>131,232</b>
Carrying amount:		
- At cost	143,027	121,209
- At net realisable value	9,332	10,023
	<b>152,359</b>	<b>131,232</b>
Recognised in profit or loss:		
- Inventories recognised as cost of sales	327,089	321,151
- Allowance for slow-moving	1,007	271
- Written off	331	355
- Written down to net realisable value	635	321

## 9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Trade</b>				
Trade receivables	105,336	92,015	-	-
<b>Non-trade</b>				
Other receivables	4,292	4,314	-	-
Deposits	1,348	1,210	-	-
Prepayments	7,241	7,079	27	154
Due from subsidiaries	-	-	78,443	55,064
	<b>12,881</b>	<b>12,603</b>	<b>78,470</b>	<b>55,218</b>
	<b>118,217</b>	<b>104,618</b>	<b>78,470</b>	<b>55,218</b>

The amounts due from subsidiaries are unsecured, subject to interest at 5% (2021: 5%) per annum and repayable upon demand.

Included in prepayments is advance payment made to suppliers amounting to RM1,718,000 (2021: RM812,000).

## Notes to the Financial Statements

**10. CONTRACT ASSETS/(LIABILITIES)**

The contract assets primarily relate to the Group's rights to consideration for work completed on condos but not yet billed at the reporting date. Typically, the amount will be billed upon delivery and payment is expected within 90 days.

The contract liabilities primarily relate to the advance consideration from a customer for works which revenue will be recognised upon work completion. The contract liabilities are expected to be recognised as revenue within 90 days.

**11. CASH AND CASH EQUIVALENTS**

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash and bank balances	20,276	35,622	2,762	6,549
Short-term deposits	1,595	18,507	134	17,116
<b>Cash and cash equivalents in the statements of financial position</b>	<b>21,871</b>	<b>54,129</b>	<b>2,896</b>	<b>23,665</b>
Less: Pledged deposits	(1,461)	(1,391)	-	-
<b>Cash and cash equivalents in the statements of cash flows</b>	<b>20,410</b>	<b>52,738</b>	<b>2,896</b>	<b>23,665</b>

Included in short-term deposits of the Group are RM1,461,000 (2021: RM1,391,000) pledged to bank as security for bank guarantee granted to the Group.

## Notes to the Financial Statements

**12. CAPITAL AND RESERVES****Share capital**

	Group/Company		Group/Company Number of ordinary shares	
	2022 RM'000	2021 RM'000	2022 '000	2021 '000
Issued and fully paid shares with no par value classified as equity instruments:				
Ordinary shares:				
At 1 July	324,244	281,980	1,053,461	1,002,375
Issue of share	-	42,264	-	51,086
At 30 June	324,244	324,244	1,053,461	1,053,461

**Reserves**

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Distributable</b>				
Retained earnings	60,722	66,913	15,355	11,753
<b>Non-distributable</b>				
Merger reserve	63,511	63,511	63,511	63,511
Translation reserve	8,587	10,370	-	-
Other reserve	718	718	-	-
	133,538	141,512	78,866	75,264

**Ordinary shares**

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

**Merger reserve**

The merger reserve comprises of the differences between the cost of acquisition and the nominal value of shares acquired together with any other reserves of the combining entities during the restructuring among common shareholders as stated in the accounting policy Note 2(a)(iv).

**Translation reserve**

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

**Other reserve**

Based on Thailand Law, the other reserve comprises of reserve fund allocated at each distribution of dividend, being at least 5% of the profit until it reaches 10% of the registered capital of a foreign subsidiary, and claimable upon disposal or liquidation of the foreign subsidiary by the Group. This legal reserve is not available for dividend distribution.

## Notes to the Financial Statements

## 13. LOANS AND BORROWINGS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Non-current</b>				
Term loans	52,626	29,233	-	-
Hire purchase liabilities	304	233	-	-
	52,930	29,466	-	-
<b>Current</b>				
Term loans	8,229	7,943	-	-
Bankers' acceptances	36,432	42,062	-	-
Export financing	6,035	10,944	-	-
Hire purchase liabilities	226	203	-	-
Revolving credit	-	2,500	-	1,000
	50,922	63,652	-	1,000
	103,852	93,118	-	1,000

The loans and borrowings are secured by:

- i) Fixed and floating charges over the Group's certain assets as disclosed in Notes 3, 4 and 11; and
- ii) Corporate guarantee by the Company.

**Significant covenants**

The borrowings of subsidiaries of the Group are subject to the following covenants:

- a. Maintain gearing ratio of the subsidiary at not more than 1.5 times, 2.0 times and 3.5 times as defined by the respective financial institutions.
- b. Net tangible worth of the subsidiaries shall not be less than RM120,000,000, RM35,000,000 and RM8,000,000 respectively.
- c. The subsidiary shall not without the banks' prior written consent, incur or assume additional indebtedness or guarantee any indebtedness (except in the ordinary course of business), alter the present ownership structure and extend loans and advances to the Directors of the subsidiary and its related companies.
- d. The subsidiaries shall not without the banks' prior written consent, declare and pay dividend exceeding 50% of the profit after tax of each financial year.

The said subsidiary has complied with the above loan covenants.

## Notes to the Financial Statements

## 14. TRADE AND OTHER PAYABLES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Trade</b>				
Trade payables	66,450	43,372	-	-
<b>Non-trade</b>				
Other payables and accrued expenses	28,195	33,396	127	129
	94,645	76,768	127	129

## 15. DERIVATIVE FINANCIAL LIABILITIES

	2022		2021	
	Nominal value RM'000	Financial liabilities RM'000	Nominal value RM'000	Financial liabilities RM'000
<b>Group</b>				
Derivatives at fair value through profit or loss				
- Forward exchange contracts	53,506	1,266	54,409	375

Forward exchange contracts are used to manage the foreign currency exposures arising from the Group's receivables and payables denominated in currencies other than the functional currency of the Group. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward contracts are rolled over at maturity.

## 16. REVENUE

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Revenue from contracts with customers</b>	421,642	419,816	-	-
<b>Other revenue</b>				
- Dividend income	-	-	500	10,285
<b>Total revenue</b>	421,642	419,816	500	10,285

## Notes to the Financial Statements

## 16. REVENUE (CONTINUED)

## 16.1 Disaggregation of revenue

	Reportable segments							
	Sexual wellness		Medical		Others		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>								
<b>Primary geographical markets</b>								
Asia	94,078	96,716	14,583	15,393	-	-	108,661	112,109
Africa	55,062	74,329	-	-	-	-	55,062	74,329
Americas	175,403	162,021	1,571	1,111	-	-	176,974	163,132
Europe	58,274	49,917	13,783	12,059	8,888	8,270	80,945	70,246
	<b>382,817</b>	<b>382,983</b>	<b>29,937</b>	<b>28,563</b>	<b>8,888</b>	<b>8,270</b>	<b>421,642</b>	<b>419,816</b>
<b>Major products and service lines</b>								
Condoms	336,475	366,892	-	-	-	-	336,475	366,892
Personal lubricants	43,869	14,310	-	-	-	-	43,869	14,310
Probe covers	-	-	10,700	9,600	-	-	10,700	9,600
Catheters	-	-	16,737	16,815	-	-	16,737	16,815
Other	2,473	1,781	2,500	2,148	8,888	8,270	13,861	12,199
	<b>382,817</b>	<b>382,983</b>	<b>29,937</b>	<b>28,563</b>	<b>8,888</b>	<b>8,270</b>	<b>421,642</b>	<b>419,816</b>
<b>Timing and recognition</b>								
At a point in time	379,554	381,999	29,937	28,563	8,888	8,270	418,379	418,832
Over time	3,263	984	-	-	-	-	3,263	984
	<b>382,817</b>	<b>382,983</b>	<b>29,937</b>	<b>28,563</b>	<b>8,888</b>	<b>8,270</b>	<b>421,642</b>	<b>419,816</b>

## Notes to the Financial Statements

**16. REVENUE (CONTINUED)****16.2 Nature of goods and services**

The following information reflects the typical transactions of the Group:

<b>Nature of goods or services</b>	<b>Timing of recognition or method used to recognise revenue</b>	<b>Significant payment terms</b>
Condoms, personal lubricants, probe covers, catheters and other healthcare products	Revenue is recognised at a point in time when the control over a product or service is delivered and accepted by the customer	Credit period of up to 120 days from invoice date
Made-to order products	Revenue is recognised over time as costs are incurred. The work performed does not create an alternative use to the Group and the Group has rights to payment for work performed	Credit period of 90 days from invoice date/upon shipment of goods

The Group applies the practical expedient for exemption on disclosure of information on remaining performance obligation that have original expected durations of one year or less.

The revenue from contracts with customers of the Group are not subject to variable element in the consideration, obligation for returns or refunds and warranty.

**17. FINANCE COSTS**

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest expense of financial liabilities that are not at fair value through profit or loss	<b>3,144</b>	1,654	<b>7</b>	20
Interest expenses on lease liabilities	<b>790</b>	1,010	<b>-</b>	-
	<b>3,934</b>	2,664	<b>7</b>	20

## Notes to the Financial Statements

## 18. TAX (CREDIT)/EXPENSE

## Recognised in profit or loss

Major components of income tax (credit)/expense include:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Current tax expense</b>				
- Current year	1,465	3,822	215	314
- Prior years	(203)	(485)	5	4
	1,262	3,337	220	318
<b>Deferred tax credit</b>				
- Origination and reversal of temporary differences	(1,719)	(3,814)	-	-
- Prior years	160	(203)	-	-
	(1,559)	(4,017)	-	-
	(297)	(680)	220	318
<b>Reconciliation of tax (credit)/expense</b>				
(Loss)/Profit before tax	(6,488)	(534)	3,822	10,278
Income tax calculated using Malaysian tax rate of 24%	(1,557)	(128)	917	2,467
Non-deductible expenses	435	1,078	288	540
Non-taxable income	(123)	(196)	(990)	(2,693)
Effect of unrecognised deferred tax assets	1,183	-	-	-
Effect of different tax rates in different jurisdictions	214	140	-	-
Tax incentives	(406)	(886)	-	-
	(254)	8	215	314
Prior years	(43)	(688)	5	4
Tax (credit)/expense	(297)	(680)	220	318

## Notes to the Financial Statements

## 19. (LOSS)/PROFIT FOR THE YEAR

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>(Loss)/Profit for the year is arrived at after charging/(crediting)</b>					
Audit fees					
- KPMG PLT		292	292	85	85
- Overseas affiliate of KPMG PLT		101	106	-	-
- Other auditors		387	381	-	-
Non-audit fees					
- KPMG PLT		5	37	5	37
Bad debt written off		396	-	-	-
Depreciation and amortisation:					
- Property, plant and equipment		19,426	18,588	-	-
- Right-of-use assets		3,739	4,151	-	-
- Intangible assets		264	257	-	-
Expenses relating to short-term leases	a	2,168	1,850	-	-
Expenses relating to leases of low-value assets	a	14	14	-	-
Fair value loss on derivative instruments		1,266	375	-	-
Impairment loss on:					
- Trade receivables		86	1,185	-	-
- Intangible assets		358	848	-	-
Inventories:					
- Allowance for slow moving		1,007	271	-	-
- Written off		331	355	-	-
- Written down to net realisable value		635	321	-	-
Loss from remeasurement of lease liabilities		127	-	-	-
Personnel expenses (including key management personnel):					
- Contributions to state plans		4,716	4,981	-	-
- Wages, salaries and others		108,209	109,396	600	634
Written off for property, plant and equipment		175	334	-	-
Loss/(Gain) on disposal:					
- Property, plant and equipment		74	(131)	-	-
- Asset held for sale		-	(336)	-	-
Finance income		(309)	(186)	(3,019)	(2,328)
Gain on derecognition of right-of-use assets		(1)	-	-	-
Net foreign exchange (gain)/loss		(1,724)	(3,094)	(1,795)	51

**Note a**

The Group leases a number of hostels and equipment with contract terms of 1 to 4 years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

## Notes to the Financial Statements

**20. LOSS PER ORDINARY SHARE****Basic loss per ordinary share**

The calculation of basic loss per ordinary share at 30 June 2022 was based on the loss attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Loss for the year attributable to owners of the Company	(6,191)	(1,020)
<i>Weighted average number of ordinary shares</i>		
Weighted average number of ordinary shares at 30 June ('000)	1,053,461	1,028,828
Basic loss per ordinary share (sen)	(0.59)	(0.10)

**Diluted loss per ordinary share**

The diluted loss per share is the same as basic earnings per share as there are no dilutive potential ordinary shares outstanding.

**21. DIVIDENDS**

Dividends recognised by the Company were:

	<b>Sen per share</b>	<b>Total amount RM'000</b>	<b>Date of payment</b>
<b>2021</b>			
Final dividend 2020	0.5	5,012	21 December 2020

**22. ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT**

Acquisition of property, plant and equipment in statement of cash flows represents:

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Current year additions	35,650	60,853
Add/(Less):		
- Amount financed by hire purchase liabilities	(325)	-
- Balances in respect of acquisition of property, plant and equipment included in other creditors:		
- at end of year	(5,189)	(5,372)
- at beginning of year	5,372	832
Cash outflows from acquisition of property, plant and equipment	35,508	56,313

## Notes to the Financial Statements

**23. OPERATING SEGMENTS****Group**

The Group's main business activities comprise investment holding, manufacture and sale of sexual wellness, medical and other health related products. These activities are principally located in Malaysia, Thailand, United States of America and Europe. Inter-segment pricing is determined based on negotiated terms.

Performance is measured based on segment profit before tax and interest, as included in the internal management reports that are reviewed by the Chief Executive Officer ("CEO"), who is the Group's chief operating decision maker. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

**Segment assets**

The total of segment asset is measured based on all assets of a segment, as included in the internal management reports that are reviewed by the CEO. Segment total asset is used to measure the return of assets of each segment.

**Segment liabilities**

Segment liabilities information is neither included in the internal management reports nor provided regularly to the CEO. Hence, no disclosure is made on segment liability.

**Segment capital expenditure**

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment, right-of-use assets and intangible assets other than goodwill.

	Sexual wellness RM'000	Medical RM'000	Others RM'000	Total RM'000
<b>2022</b>				
<b>Segment (loss)/profit</b>	<b>(5,079)</b>	<b>151</b>	<b>2,016</b>	<b>(2,912)</b>
<i>Included in the measure of segment profit are:</i>				
Revenue from external customers	382,817	29,937	8,888	421,642
Inventories:				
- Allowance for slow moving	(1,007)	-	-	(1,007)
- Written off	(331)	-	-	(331)
- Written down to net realisable value	(635)	-	-	(635)
Depreciation and amortisation	(22,837)	(578)	(14)	(23,429)
<i>Not included in the measure of segment profit but provided to CEO:</i>				
Finance income	33	-	-	33
Finance costs	(3,643)	(289)	(2)	(3,934)
<b>Segment assets</b>	<b>580,708</b>	<b>95,878</b>	<b>10,410</b>	<b>686,996</b>
<i>Not included in the measure of segment assets are:</i>				
Additions to non-current assets other than financial instruments and deferred tax assets	24,040	11,732	-	35,772

## Notes to the Financial Statements

## 23. OPERATING SEGMENTS (CONTINUED)

	Sexual wellness RM'000	Medical RM'000	Others RM'000	Total RM'000
<b>2021</b>				
<b>Segment profit</b>	1,278	2,240	1,054	4,572
<i>Included in the measure of segment profit are:</i>				
Revenue from external customers	382,983	28,563	8,270	419,816
Inventories:				
- Allowance for slow moving	(201)	(70)	-	(271)
- Written off	(355)	-	-	(355)
- Written down to net realisable value	(321)	-	-	(321)
Depreciation and amortisation	(22,760)	(228)	(8)	(22,996)
<i>Not included in the measure of segment profit but provided to CEO:</i>				
Finance income	19	-	-	19
Finance costs	(2,610)	(32)	(2)	(2,644)
<b>Segment assets</b>	574,690	69,276	6,587	650,553
<i>Not included in the measure of segment assets are:</i>				
Additions to non-current assets other than financial instruments and deferred tax assets	27,186	38,487	-	65,673

## Notes to the Financial Statements

**23. OPERATING SEGMENTS (CONTINUED)****Reconciliations of reportable segment revenues, profit or loss, assets and other material items:**

	Group	
	2022 RM'000	2021 RM'000
<b>Profit or loss</b>		
Total (loss)/profit for reportable segments	(2,912)	4,572
Finance costs	(3,927)	(2,644)
Finance income	33	19
Unallocated items:		
- Corporate expenses	(1,746)	(2,577)
- Net foreign exchange gain/(loss)	1,795	(51)
- Finance income from deposits with licensed banks and other corporation	276	167
- Finance costs	(7)	(20)
Consolidated loss before tax	(6,488)	(534)
<b>Total assets</b>		
Total assets for reportable segments	686,996	650,553
Other non-reportable segments	3,617	24,255
Consolidated total assets	690,613	674,808

**Geographical segments**

The sexual wellness and medical segments are managed on a worldwide basis, but operate manufacturing facilities and sales offices in Malaysia, Thailand, United Kingdom and the United States of America.

In presenting information on the basis of geographical segments, segment revenue is based on geographical destination markets of the export for the financial years.

Geographical segment non-current assets information is neither included in the internal management reports nor provided regularly to the CEO. Hence, no disclosure is made on geographical segment non-current assets.

**Geographical revenue**

Geographical segment revenue is as disclosed in Note 16.1.

**Major customers**

There is no significant concentration of sales to a customer exceeding 10% of the Group's revenue for year 2022 and 2021.

## Notes to the Financial Statements

## 24. FINANCIAL INSTRUMENTS

## 24.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Amortised cost (“AC”)
- (b) Fair value through profit or loss (“FVTPL”)
  - Mandatorily required by MFRS 9

	Carrying amount RM'000	AC RM'000	Mandatorily at FVTPL RM'000
<b>Group</b>			
<b>2022</b>			
<b>Financial assets</b>			
Trade and other receivables	110,976	110,976	-
Contract assets	542	542	-
Cash and cash equivalents	21,871	21,871	-
	<b>133,389</b>	<b>133,389</b>	<b>-</b>
<b>Financial liabilities</b>			
Trade and other payables	(94,645)	(94,645)	-
Loans and borrowings	(103,852)	(103,852)	-
Derivative financial liabilities	(1,266)	-	(1,266)
	<b>(199,763)</b>	<b>(198,497)</b>	<b>(1,266)</b>
<b>2021</b>			
<b>Financial assets</b>			
Trade and other receivables	97,539	97,539	-
Cash and cash equivalents	54,129	54,129	-
	<b>151,668</b>	<b>151,668</b>	<b>-</b>
<b>Financial liabilities</b>			
Trade and other payables	(76,768)	(76,768)	-
Loans and borrowings	(93,118)	(93,118)	-
Derivative financial liabilities	(375)	-	(375)
	<b>(170,261)</b>	<b>(169,886)</b>	<b>(375)</b>

## Notes to the Financial Statements

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

## 24.1 Categories of financial instruments (continued)

	Carrying amount RM'000	AC RM'000	Mandatorily at FVTPL RM'000
<b>Company</b>			
<b>2022</b>			
<b>Financial assets</b>			
Trade and other receivables	78,443	78,443	-
Cash and cash equivalents	2,896	2,896	-
	<b>81,339</b>	<b>81,339</b>	<b>-</b>
<b>Financial liabilities</b>			
Trade and other payables	(127)	(127)	-
<b>2021</b>			
<b>Financial assets</b>			
Trade and other receivables	55,064	55,064	-
Cash and cash equivalents	23,665	23,665	-
	<b>78,729</b>	<b>78,729</b>	<b>-</b>
<b>Financial liabilities</b>			
Trade and other payables	(129)	(129)	-
Loans and borrowings	(1,000)	(1,000)	-
	<b>(1,129)</b>	<b>(1,129)</b>	<b>-</b>

## 24.2 Net gains and losses arising from financial instruments

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Net (losses)/gains on:				
Financial liabilities at amortised cost	(3,144)	(1,654)	(7)	(20)
Financial assets at amortised cost	1,551	1,930	4,813	2,277
Financial liabilities at fair value through profit or loss				
- Mandatorily required by MFRS 9	(1,266)	(375)	-	-
	<b>(2,859)</b>	<b>(99)</b>	<b>4,806</b>	<b>2,257</b>

## Notes to the Financial Statements

### 24. FINANCIAL INSTRUMENTS (CONTINUED)

#### 24.3 Financial risk management

The Group has exposure to the following risks from its financial instruments:

- Credit risk
- Liquidity risk
- Market risk

#### 24.4 Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's and the Company's exposure to credit risk arises principally from its receivables from customers and subsidiaries. There are no significant changes as compared to prior period.

##### **Trade receivables and contract assets**

*Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally credit evaluations are performed on customers requiring credit over a certain amount.

At each reporting date, the Group assesses whether any of the trade receivables and contract assets are credit impaired.

The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables and contract assets that are written off could still be subject to enforcement activities.

There are no significant changes as compared to prior period.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, there were no significant concentrations of credit risk and the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

*Recognition and measurement of impairment loss*

In managing credit risk of trade receivables and contract assets, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances.

The Group assessed the risk of loss of the customer individually based on their financial information, past trend of payments and external credit ratings, where applicable. Invoices which are past due 365 days will be considered as credit impaired.

## Notes to the Financial Statements

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

## 24.4 Credit risk (continued)

## Trade receivables and contract assets (continued)

*Recognition and measurement of impairment loss (continued)*

The following table provides information about the exposure to credit risk and expected credit losses (“ECLs”) for trade receivables and contract assets as at the end of the reporting period which are grouped together as they are expected to have similar risk nature.

	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
<b>Group</b>			
<b>2022</b>			
Current (not past due)	74,617	-	74,617
1 - 30 days past due	16,118	-	16,118
31 - 60 days past due	7,689	-	7,689
61 - 90 days past due	2,355	-	2,355
More than 90 days past due	5,099	-	5,099
	<b>105,878</b>	<b>-</b>	<b>105,878</b>
<b>Credit impaired</b>			
Individually impaired	1,472	1,472	-
	<b>107,350</b>	<b>1,472</b>	<b>105,878</b>
Trade receivables	106,808	1,472	105,336
Contract assets	542	-	542
	<b>107,350</b>	<b>1,472</b>	<b>105,878</b>
<b>2021</b>			
Current (not past due)	56,820	-	56,820
1 - 30 days past due	18,478	-	18,478
31 - 60 days past due	5,960	-	5,960
61 - 90 days past due	3,077	-	3,077
More than 90 days past due	7,680	-	7,680
	<b>92,015</b>	<b>-</b>	<b>92,015</b>
<b>Credit impaired</b>			
Individually impaired	1,386	1,386	-
	<b>93,401</b>	<b>1,386</b>	<b>92,015</b>
Trade receivables	93,401	1,386	92,015

## Notes to the Financial Statements

**24. FINANCIAL INSTRUMENTS (CONTINUED)****24.4 Credit risk (continued)****Trade receivables and contract assets (continued)***Recognition and measurement of impairment loss (continued)*

The movements in the allowance for impairment in respect of trade receivables during the year are shown below.

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Balance as at 1 July	1,386	201
Net remeasurement of loss allowance	86	1,185
Balance as at 30 June	1,472	1,386

**Inter-company balances***Risk management objectives, policies and processes for managing the risk*

The Company's exposure to credit risk arose from unsecured advances provided to its subsidiaries.

The Company monitors the financial positions of subsidiaries in assessing its credit risk.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

*Recognition and measurement of impairment loss*

Generally, the Company considers amounts due from subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when the subsidiaries' financial position deteriorates significantly. The Company considers amounts due from subsidiaries to be credit impaired when:

- The subsidiaries are unlikely to repay the amount to the Company in full; or
- The subsidiaries are continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default for this amount individually using internal information available.

At the end of the reporting period, there is no indication that the financial positions of the subsidiaries have deteriorated significantly. There is no subsidiary which is unlikely to repay its amount to the Company in full and in deficit shareholders' fund.

**Cash and cash equivalents**

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

## Notes to the Financial Statements

**24. FINANCIAL INSTRUMENTS (CONTINUED)****24.4 Credit risk (continued)****Other receivables**

The Group and the Company monitor the exposure to credit risk on individual basis.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position and the Group and the Company do not recognise any allowance for impairment losses.

**Financial guarantees***Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to subsidiaries. The Company monitors on an ongoing basis the results of its subsidiaries and repayments made by its subsidiaries.

*Exposure to credit risk, credit quality and collateral*

The Company's maximum exposure to credit risk amounts to RM115,372,000 (2021: RM95,541,000) representing the outstanding banking facilities of its subsidiaries as at the end of the reporting period.

*Recognition and measurement of impairment loss*

The Company determines the probability of default for the guaranteed loans using internal information available by assessing individual subsidiary's financial position and likelihood to repay the loan.

As at the end of the reporting period, there was no indication that these subsidiaries would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

**24.5 Liquidity risk**

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

## Notes to the Financial Statements

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

## 24.5 Liquidity risk (continued)

*Maturity analysis*

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities and lease liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate/ coupon/ Discount rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
<b>Group</b>							
<b>2022</b>							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	94,645	-	94,645	94,645	-	-	-
Term loans	60,855	1.98 - 4.10	65,764	11,971	13,066	28,193	12,534
Hire purchase liabilities	530	2.90 - 4.39	557	238	143	176	-
Bankers' acceptances	36,432	2.00 - 5.30	36,432	36,432	-	-	-
Export financing	6,035	1.94 - 2.62	6,054	6,054	-	-	-
Lease liabilities	19,716	3.70 - 4.50	26,567	3,675	1,903	5,626	15,363
	<b>218,213</b>		<b>230,019</b>	<b>153,015</b>	<b>15,112</b>	<b>33,995</b>	<b>27,897</b>
<i>Derivative financial liabilities</i>							
Forward exchange contracts (gross settled):							
- Outflow	1,266	-	54,772	54,772	-	-	-
- Inflow	-	-	(53,506)	(53,506)	-	-	-
	<b>219,479</b>		<b>231,285</b>	<b>154,281</b>	<b>15,112</b>	<b>33,995</b>	<b>27,897</b>
<b>2021</b>							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	76,768	-	76,768	76,768	-	-	-
Term loans	37,176	2.03 - 5.30	39,852	8,441	5,687	18,283	7,441
Hire purchase liabilities	436	2.90 - 4.22	460	218	195	47	-
Bankers' acceptances	42,062	2.83 - 3.17	42,062	42,062	-	-	-
Export financing	10,944	1.18 - 1.68	10,958	10,958	-	-	-
Revolving credit	2,500	2.56 - 4.35	2,509	2,509	-	-	-
Lease liabilities	22,754	3.70 - 4.50	28,929	4,066	3,432	5,085	16,346
	<b>192,640</b>		<b>201,538</b>	<b>145,022</b>	<b>9,314</b>	<b>23,415</b>	<b>23,787</b>
<i>Derivative financial liabilities</i>							
Forward exchange contracts (gross settled):							
- Outflow	375	-	54,784	54,784	-	-	-
- Inflow	-	-	(54,409)	(54,409)	-	-	-
	<b>193,015</b>		<b>201,913</b>	<b>145,397</b>	<b>9,314</b>	<b>23,415</b>	<b>23,787</b>

## Notes to the Financial Statements

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

## 24.5 Liquidity risk (continued)

*Maturity analysis (continued)*

	Carrying amount RM'000	Contractual interest rate/ coupon/ Discount rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
<b>Company</b>							
<b>2022</b>							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	127	-	127	127	-	-	-
Financial guarantee*	-	-	115,372	115,372	-	-	-
	<b>127</b>		<b>115,499</b>	<b>115,499</b>	-	-	-
<b>2021</b>							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	129	-	129	129	-	-	-
Revolving credit	1,000	2.56	1,000	1,000	-	-	-
Financial guarantee*	-	-	95,541	95,541	-	-	-
	<b>1,129</b>		<b>96,670</b>	<b>96,670</b>	-	-	-
<i>Derivative financial liabilities</i>							
Forward exchange contracts (gross settled):							
- Outflow	-	-	1,786	1,786	-	-	-
- Inflow	-	-	(1,786)	(1,786)	-	-	-
	<b>1,129</b>		<b>96,670</b>	<b>96,670</b>	-	-	-

\* The amount represents the outstanding banking facilities of the subsidiaries at the end of the reporting period.

## 24.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Group's and the Company's financial position or cash flows.

**Currency risk**

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Group. The currencies giving rise to this risk are primarily US Dollar ("USD"), Chinese Yuan ("CNY"), Euro ("EUR"), Great Britain Pound ("GBP") and Singapore Dollar ("SGD").

*Risk management objectives, policies and processes for managing the risk*

The Group uses forward exchange contracts to hedge its foreign currency risk from time to time. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward exchange contracts are rolled over at maturity.

## Notes to the Financial Statements

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

## 24.6 Market risk (continued)

## Currency risk (continued)

*Exposure to foreign currency risk*

The Group's exposure to foreign currency (a currency which is other than the functional currency of Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in				
	USD RM'000	CNY RM'000	EUR RM'000	GBP RM'000	SGD RM'000
<b>Group</b>					
<b>2022</b>					
Trade receivables	87,931	4,354	82	-	65
Intercompany receivables	137,095	-	35	1,162	-
Cash and cash equivalents	5,291	22	593	922	-
Trade payables	(18,007)	-	-	-	-
Other payables	(4,638)	-	(3)	-	-
Intercompany payables	(78,590)	-	-	-	-
Loans and borrowings	(7,054)	-	-	-	-
Forward exchange contracts	(53,506)	-	-	-	-
Net exposure	68,522	4,376	707	2,084	65
<b>2021</b>					
Trade receivables	49,907	5,052	441	6	26
Other receivables	64	-	-	-	-
Intercompany receivables	87,337	-	38	4,136	-
Cash and cash equivalents	10,879	-	315	437	-
Trade payables	(3,869)	-	(848)	-	-
Other payables	(1,814)	-	(89)	(15)	-
Intercompany payables	(39,877)	-	-	(93)	-
Loans and borrowings	(11,352)	-	-	(2,578)	-
Forward exchange contracts	(53,027)	-	-	(1,382)	-
Net exposure	38,248	5,052	(143)	511	26

## Notes to the Financial Statements

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

## 24.6 Market risk (continued)

## Currency risk (continued)

Exposure to foreign currency risk (continued)

	Denominated in	
	USD RM'000	GBP RM'000
<b>Company</b>		
<b>2022</b>		
Intercompany receivables	38,179	1,162
Cash and cash equivalents	12	-
Net exposure	38,191	1,162
<b>2021</b>		
Intercompany receivables	18,019	1,204
Cash and cash equivalents	2,866	-
Forward exchange contracts	(1,786)	-
Net exposure	19,099	1,204

Currency risk sensitivity analysis

A 10% (2021: 10%) strengthening of the RM against the following currencies at the end of the reporting period would have decreased post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

	Denominated in				
	USD RM'000	CNY RM'000	EUR RM'000	GBP RM'000	SGD RM'000
<b>Group</b>					
<b>2022</b>					
Profit or (loss)	(5,208)	(333)	(54)	(158)	(5)
<b>2021</b>					
Profit or (loss)	(2,907)	(384)	11	(39)	(2)

## Notes to the Financial Statements

**24. FINANCIAL INSTRUMENTS (CONTINUED)****24.6 Market risk (continued)****Currency risk (continued)***Currency risk sensitivity analysis (continued)*

	Denominated in	
	USD RM'000	GBP RM'000
<b>Company</b>		
<b>2022</b>		
Profit or (loss)	(2,903)	(88)
<b>2021</b>		
Profit or (loss)	(1,452)	(92)

A 10% (2021: 10%) weakening of the RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

**Interest rate risk**

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

*Risk management objectives, policies and processes for managing the risk*

There is no formal hedging policy with respect to interest rate exposure. Exposure to interest rate is monitored on an ongoing basis and the Group endeavours to keep the exposure to an acceptable level.

## Notes to the Financial Statements

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

## 24.6 Market risk (continued)

## Interest rate risk (continued)

*Exposure to interest rate risk*

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments and lease liabilities, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Fixed rate instruments</b>				
Financial assets	1,595	18,507	78,577	72,180
Financial liabilities	(42,997)	(55,942)	-	(1,000)
Lease liabilities	(19,716)	(22,754)	-	-
	<b>(61,118)</b>	<b>(60,189)</b>	<b>78,577</b>	<b>71,180</b>
<b>Floating rate instruments</b>				
Financial liabilities	(60,855)	(37,176)	-	-

*Interest rate risk sensitivity analysis*(a) *Fair value sensitivity analysis for fixed rate instruments*

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group and the Company do not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) *Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) the Group post-tax profit or loss by RM462,000 (2021: RM283,000). This analysis assumes that all other variables remained constant.

## Notes to the Financial Statements

**24. FINANCIAL INSTRUMENTS (CONTINUED)****24.7 Fair value information**

The carrying amounts of cash and cash equivalents, short term receivables, short term payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The carrying amounts of the hire purchase liabilities approximates their fair value as there is no material change in the interest charged on similar kind of borrowings in the market.

The carrying amount of the floating rate term loans approximates its fair values as its effective interest rate changes accordingly to movements in the market interest rate.

The table below analyses other financial instruments at fair value.

	<b>Fair value of financial instruments carried at fair value Level 2 RM'000</b>	<b>Total fair value RM'000</b>	<b>Carrying amount RM'000</b>
<b>Group</b>			
<b>2022</b>			
<b>Financial liabilities</b>			
Forward exchange contracts	(1,266)	(1,266)	(1,266)
<b>2021</b>			
<b>Financial liabilities</b>			
Forward exchange contracts	(375)	(375)	(375)

**Level 2 fair value**

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial liabilities, either directly or indirectly.

*Derivatives*

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate.

**Transfers between Level 1 and Level 2 fair values**

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2021: no transfer in either directions).

## Notes to the Financial Statements

**25. CAPITAL MANAGEMENT**

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio to operate effectively with minimal external borrowings.

During the financial year ended 30 June 2022, the Group's strategy was to maintain the debt-to-equity ratio at the lower end range within 0.5 to 1.0. The debt and equity position and debt-to-equity ratio of the Group are as follows:

	Group	
	2022 RM'000	2021 RM'000
Total borrowings (Note 13)	103,852	93,118
Lease liabilities	19,716	22,754
Total debt	123,568	115,872
Less: Cash and cash equivalents (Note 11)	(21,871)	(54,129)
	101,697	61,743
Total equity attributable to owners of the Company	457,782	465,756
Debt to equity ratio	0.27	0.25

There were no changes in the Group's approach to capital management during the financial year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

**26. CAPITAL COMMITMENT**

	Group	
	2022 RM'000	2021 RM'000
<b>Capital expenditure commitment</b>		
<b>Property, plant and equipment</b>		
Contracted but not provided for	620	13,887

## Notes to the Financial Statements

**27. RELATED PARTIES****Identity of related parties**

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group. The key management personnel include all the Directors of the Group and certain members of senior management of the Group.

The Group has related party relationship with its subsidiaries, entities in which certain Directors/Directors' close family members have substantial financial interest and key management personnel.

**Significant related party transactions**

Related party transactions have been entered into in the normal course of business under negotiated terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in Note 9.

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>A. Subsidiaries</b>				
Dividend income	-	-	500	10,285
Interest income	-	-	2,743	2,161
Advance to	-	-	38,727	10,496
<b>B. Entities in which certain Directors/ Directors' close family members have substantial financial interest</b>				
Sales of goods	113	26	-	-
<b>C. Key management personnel</b>				
<b>Directors</b>				
- Fees	600	634	600	634
- Remunerations	1,314	1,525	41	53
- Benefits	44	42	-	-
- Contributions to the state plans	242	280	-	-
	2,200	2,481	641	687
<b>Senior management</b>				
- Remunerations	1,819	2,118	-	-
- Contributions to the state plans	339	389	-	-
	2,158	2,507	-	-
Total short-term employee benefits	4,358	4,988	641	687

## Notes to the Financial Statements

**28. ACQUISITION OF A NON-CONTROLLING INTEREST**

On 24 December 2020, the Group via a wholly-owned subsidiary, Karex Global Limited, acquired an additional 30% interest in Global Protection Corporation (“GPC”) for RM42,263,000 in consideration of shares, increasing its ownership from 70% to 100%. The carrying amount of GPC’s net assets in the Group’s financial statements on the date of the acquisition was RM6,527,000. The Group recognised a decrease in non-controlling interests of RM1,978,000 and retained earnings of RM43,046,000.

The following summarises the effect of:

	<b>Group 2021 RM'000</b>
Equity interest at 1 July 2020	4,951
Share of comprehensive income	843
Dividend to non-controlling interest	(3,816)
Effect of increase in Group’s ownership interest	1,978

# Statement by Directors

Pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 72 to 139 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2022 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

**Goh Leng Kian**

Director

**Goh Miah Kiat**

Director

Date: 11 October 2022

# Statutory Declaration

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Goh Chok Siang**, the officer primarily responsible for the financial management of KAREX BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 72 to 139 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed Goh Chok Siang, NRIC: 710621-04-5081, MIA CA 14638, at Kuala Lumpur in the Federal Territory on 11 October 2022.

**Goh Chok Siang**

Before me:

Balwant Singh A/L Shaginder Singh (W857)

Commissioner For Oaths

# Independent Auditors' Report

To the members of Karex Berhad

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Karex Berhad, which comprise the statements of financial position as at 30 June 2022 of the Group and of the Company, and the statements of profit or loss, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 72 to 139.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2022, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence and Other Ethical Responsibilities*

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Impairment of non-financial assets - Group

#### (i) *Impairment of property, plant and equipment and right-of-use assets*

Refer to Note 2(j)(ii) - Significant accounting policies: Impairment – other assets and Note 3 - Property, plant and equipment and Note 4 - Right-of-use assets.

#### **The key audit matter**

The Group has recorded losses for two financial years consecutively and the carrying amount of the net assets exceeded its market capitalisation as at 30 June 2022. Thus, there may be an indication that the carrying amount of the property, plant and equipment and right-of-use assets may be impaired. The carrying amount of the property, plant and equipment and right-of-use assets of RM267,299,000 and RM27,017,000 respectively are material to the Group's financial statements.

We have identified this as a key audit matter because judgement is required in our assessment of the recoverable amount and the significance of the carrying amount of property, plant and equipment and right-of-use assets in the financial statements.

## Independent Auditors' Report

To the members of Karex Berhad

**Key Audit Matters (continued)****Impairment of non-financial assets - Group (continued)****(i) Impairment of property, plant and equipment and right-of-use assets (continued)****How the matter was addressed in our audit:**

Our audit procedures performed in this area included, amongst others:

- We assessed management's assessment and identification of impairment indicators of assets
- We evaluated the valuation techniques, assumptions, data used in determining the value-in-use.
- We assessed the appropriateness of key assumptions used in particular those relating to discount rates, revenue growth rates and profit margin applied to the cash flows, with reference to internally and externally derived sources and taking into account the Group's historical forecasting accuracy.
- We evaluated the appropriateness and likelihood of the sensitivities and the impact on the overall impairment test outcome and assessed whether additional sensitivity analysis would have been appropriate.

**(ii) Impairment of goodwill and intangible assets - Group**

Refer to Note 2(f) - Significant accounting policies: Intangible assets and Note 6 - Intangible assets.

**The key audit matter**

The Group has goodwill of RM27,230,000, brands of RM62,532,000 and other intangible assets of RM5,589,000 with indefinite useful life as at 30 June 2022 which are required to be tested for impairment on an annual basis. When a review of impairment is conducted, the recoverable amount is determined based on discounted future cash flow projections using the Group's assumptions and assessment of the future results and prospects of the business. The key assumptions applied by the Group in the cash flow projections are those relating to discount rates, revenue growth rates and profit margin.

We have identified this as a key audit matter because judgement is required in our assessment of the recoverable amount and the significance of the carrying amount of goodwill, brands and other intangible assets with indefinite useful life in the financial statements.

**How the matter was addressed in our audit:**

Our audit procedures performed in this area included, amongst others:

- We evaluated design and implementation of the Group's controls over valuation of intangible assets.
- We obtained the annual impairment assessment performed by the Group and agreed the cash flow projections to the approved business plans and budgets.
- We checked the mathematical accuracy of the cash flow projections.
- We evaluated the historical accuracy of the cash flow projections, by comparing the cash flow forecasts used in the prior year to the actual performance of the business in the current year.
- We assessed the appropriateness of key assumptions used in particular those relating to discount rates, revenue growth rates and profit margin applied to the cash flows, with reference to internally and externally derived sources and taking into account the Group's historical forecasting accuracy.
- We also assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflects the risks inherent in the valuation of goodwill, brands and other intangible assets.

## Independent Auditors' Report

To the members of Karex Berhad

### Key Audit Matters (continued)

#### Inventories valuation - Group

Refer to Note 2(g) - Significant accounting policies: Inventories and Note 8 - Inventories.

#### The key audit matter

The Group is primarily involved in manufacturing and selling of condoms based on the design specification prescribed by customers. As described in the significant accounting policies in Note 2(g) to the financial statements, inventories are measured at lower of cost and net realisable value. As at 30 June 2022, the Group has reported inventory balance of RM152,359,000.

The consumption of these pre-printed raw materials and the demand of finished goods depend on the likelihood of repeat orders and/or the ability of the Group to sell these items. Pricing has been more competitive in the financial year under review especially in the tender market. Hence, there is a high possibility that inventories, particularly those manufactured for the tender market, may be quoted at a lower selling price.

The inventories valuation is identified as a key audit matter because judgment involved in assessing the level of inventory write down required in order to ascertain that inventories are stated at the lower of cost and net realisable value.

#### How the matter was addressed in our audit:

Our audit procedures performed in this area included, amongst others:

- We assessed the appropriateness of the management's approach in adopting the Group's policy for slow-moving inventories.
- We assessed the accuracy and reliability of the inventory aging and evaluated whether the provisions are in-line with the Group's policy.
- We evaluated the net realisable values for finished goods as at 30 June 2022 by comparing the most recent selling prices of the finished goods to assess whether these exceeded the carrying value of inventories at year end.

#### Impairment on investment in subsidiaries - Company

Refer to Note 2(j)(ii) - Significant accounting policies: Impairment – other assets and Note 5 - Investments in subsidiaries.

#### The key audit matter

As at 30 June 2022, the carrying amount of the investments in subsidiaries of the Company amounted to RM321,836,000.

The Company is required to estimate the recoverable amount based on forecasting and discounting future cash flows and to recognise impairment loss if the recoverable amount is less than its carrying amount in accordance with MFRS 136 *Impairment of Assets*.

In view of the inherent uncertainties and level of judgement required in evaluating the Company's assumptions included within the cash flows projections, impairment on investments in subsidiaries is determined as a key audit matter.

## Independent Auditors' Report

To the members of Karex Berhad

### Key Audit Matters (continued)

#### Impairment on investment in subsidiaries - Company (continued)

##### How the matter was addressed in our audit:

Our audit procedures performed in this area included, amongst others:

- We assessed the determination of CGUs and the indicators of impairment based on our understanding of the Group's business activities.
- Where indicators exist, we obtained the discounted cash flow projections of the CGUs identified for the recoverable amount estimated and considered whether there were material inconsistencies with the approved business plans and forecasts.
- We assessed the appropriateness of key assumptions used in particular those relating to revenue growth rates, profit margin, discount rates and terminal value applied to the cash flows projections, by comparing to the historical and current performance, internal business plans and forecasts and externally derived market data.
- We evaluated the Company's sensitivity analyses around the key assumptions including revenue growth rates, profit margin, discount rates and terminal value growth rates to the extent of the change that would result the assets to be impaired.

#### Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

## Independent Auditors' Report

To the members of Karex Berhad

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Independent Auditors' Report

To the members of Karex Berhad

### Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 5 to the financial statements.

### Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

#### **KPMG PLT**

(LLP0010081-LCA & AF 0758)

Chartered Accountants

#### **Lam Shuh Siang**

Approval Number: 03045/02/2023 J

Chartered Accountant

Johor Bahru

Date: 11 October 2022

## List of Properties

No.	Address	Land area/ Build up area Sq/ft	Description/ Existing use	Date of acquisition	Tenure	Year of expiry	Approximate age of buildings Years	Net book value at 30 June 2022 RM'000
1	PTD 7906, Taman Pontian Jaya, Batu 34 Jalan Johor, 82000 Pontian, Johor Darul Takzim, Malaysia	9,354/ 5,460	1 1/2 storey semi-detached building which we use as office, factory and warehouse	05/04/2000	Freehold	-	29	473
2	PTD 7907, Taman Pontian Jaya, Batu 34 Jalan Johor, 82000 Pontian, Johor Darul Takzim, Malaysia	10,807/ 5,460	1 1/2 storey semi-detached building which we use as office, factory and warehouse	05/04/2000	Freehold	-	29	473
3	Lot 1235, Benut, 82000 Pontian, Johor Darul Takzim, Malaysia	225,418/-	Vacant Land	10/09/2002	Freehold	-	-	853
4	PTD 7915, Taman Pontian Jaya, Batu 34 Jalan Johor, 82000 Pontian, Johor Darul Takzim, Malaysia	9,720/ 5,460	1 1/2 storey semi-detached building which we use as warehouse	22/02/2005	Freehold	-	29	510
5	Lot 2767, Jalan Johor, 82000 Pontian, Johor Darul Takzim, Malaysia	781,335/-	Building under construction	21/10/2010	Freehold	-	-	10,508
6	Lot 1863, Batu 39 1/2, Jalan Johor, 82000 Pontian, Johor Darul Takzim, Malaysia	18,241/ 7,798	Single storey semi-detached building which we use as office, factory and warehouse.	27/7/2015	Leasehold 99 years	October 2063	29	583
7	Lot 2491, Batu 39 1/2, Jalan Johor, 82000 Pontian, Johor Darul Takzim, Malaysia	54,450/ 21,385	Single storey semi-detached building which we use as office, factory and warehouse.	27/7/2015	Leasehold 99 years	October 2063	29	2,501
8	Lot 2244, Batu 39 1/2, Jalan Johor, 82000 Pontian, Johor Darul Takzim, Malaysia	39,204/ 6,439	Single storey semi-detached building which we use as office, factory and warehouse.	27/7/2015	Leasehold 99 years	October 2063	29	1,613

## List of Properties

No.	Address	Land area/ Build up area Sq/ft	Description/ Existing use	Date of acquisition	Tenure	Year of expiry	Approximate age of buildings Years	Net book value at 30 June 2022 RM'000
9	Lot 2256, Batu 39 1/2, Jalan Johor, 82000 Pontian, Johor Darul Takzim, Malaysia	199,477/ 128,808	Single storey semi-detached building which we use as office, factory and warehouse.	27/7/2015	Freehold	-	29	10,778
10	PTD 5997, Batu 39 1/2, Jalan Johor, 82000 Pontian, Johor Darul Takzim, Malaysia	168,563/-	Vacant Land	27/7/2015	Agriculture Freehold	-	-	2,866
11	Lot 591, Persiaran Raja Lumu, Pandamaran Industrial Estate, 42000 Port Klang, Selangor Darul Ehsan, Malaysia	43,560/ 28,908	1 1/2 storey building which we use as warehouse	09/03/2012	Leasehold 99 years	September 2074	31	5,433
12	Lot 594, Persiaran Raja Lumu, Pandamaran Industrial Estate, 42000 Port Klang, Selangor Darul Ehsan, Malaysia	43,560/ 63,907	3-storey building which we use as office, factory and warehouse	20/10/2003	Leasehold 99 years	September 2074	34	9,767
13	Land slot No: E1-6 Export Processing Zone, Southern Industrial Estate Village 4, Tumbol Chalung, Amphur Hat Yai, Songkhla, Thailand	64,446/ 37,835	1 1/2 storey building which we use as office, factory and warehouse	30/04/2003	Leasehold 30 years	April 2033	17	1,634
14	Land slot No: E1-7 Export Processing Zone, Southern Industrial Estate Village 4, Tumbol Chalung, Amphur Hat Yai, Songkhla, Thailand	65,182/ 29,773	Single storey building which we use as office, factory and warehouse.	09/02/2003	Leasehold 30 years	February 2036	17	2,653
15	Land slot No: E1-8 Export Processing Zone, Southern Industrial Estate Village 4, Tumbol Chalung, Amphur Hat Yai, Songkhla, Thailand	65,448/ 43,099	Single storey building which we use as warehouse.	01/11/2012	Leasehold 30 years	October 2042	8	3,172

## List of Properties

No.	Address	Land area/ Build up area Sq/ft	Description/ Existing use	Date of acquisition	Tenure	Year of expiry	Approximate age of buildings Years	Net book value at 30 June 2022 RM'000
16	Land slot No: E1-9-11 Export Processing Zone, Southern Industrial Estate Village 4, Tumbol Chalung, Amphur Hat Yai, Songkhla, Thailand	194,394/ 105,092	Single storey factory	01/08/2014	Leasehold 30 years	July 2044	7	18,920
17	Land slot No: E1-18, E1- 19, E1-20, E1-21 Export Processing Zone, Southern Industrial Estate Village 4, Tumbol Chalung, Amphur Hat Yai, Songkhla, Thailand	276,651/ 170,508	Single storey building which we use as factory and warehouse.	22/09/2020	Leasehold 30 years	September 2050	1	28,160
18	Land slot No: E14-15 Export Processing Zone, Southern Industrial Estate Village 4, Tumbol Chalung, Amphur Hat Yai, Songkhla, Thailand	137,778/ 69,406	1 1/2 storey building which we use as factory and warehouse.	20/10/2016	Leasehold 30 years	October 2046	6	7,966
19	PTD 8780, PLO8, Jalan Perindustrian, Senai Industrial Estate 1, 81400 Senai, Johor Darul Takzim, Malaysia	174,235/ 76,844	Single storey building which we use as office, factory and warehouse.	12/01/1983	Leasehold 60 years	January 2043	37	7,093
20	PTD 8786, PLO11, Jalan Perindustrian, Senai Industrial Estate 1, 81400 Senai, Johor Darul Takzim, Malaysia	87,123/ 1,956	Single storey building which we use as factory and warehouse.	23/09/1985	Leasehold 60 years	September 2045	37	1,515

# Analysis of Shareholdings

As at 27 September 2022

Total Issued Share (RM)	:	RM324,243,586.22
Total Issued Share	:	1,053,460,761 Ordinary Shares
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per Ordinary Share
Number of Shareholders	:	14,675

## DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	448	3.05	18,119	0.00
100 - 1,000	1,801	12.27	1,147,236	0.11
1,001 - 10,000	7,429	50.63	38,894,038	3.69
10,001 - 100,000	4,424	30.15	141,761,143	13.46
100,001 to less than 5% of issued shares	570	3.88	529,141,669	50.23
5% and above of issued shares	3	0.02	342,498,556	32.51
<b>Total</b>	<b>14,675</b>	<b>100.00</b>	<b>1,053,460,761</b>	<b>100.00</b>

## LIST OF DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDING AS AT 27 SEPTEMBER 2022

Name of Directors	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Dato' Dr. Ong Eng Long @ Ong Siew Chuan	860,000	0.08	-	-
Professor Dato' Dr. Adeeba binti Kamarulzaman	-	-	-	-
Dato' Edward Siew Mun Wai	-	-	-	-
Lam Jiuan Jiuan	19,087,456	1.81	262,402,056 <sup>(1)</sup>	24.91
Goh Yen Yen	22,062,456	2.09	101,460,400 <sup>(2)</sup>	9.63
Goh Leng Kian	41,468,865	3.94	184,823,750 <sup>(3)</sup>	17.54
Goh Miah Kiat	48,650,097	4.62	184,250,000 <sup>(4)</sup>	17.49

## Analysis of Shareholdings

As at 27 September 2022

### LIST OF SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 27 SEPTEMBER 2022

Name of Substantial Shareholders	Direct Holdings		Indirect Holdings (excluding bare trustees)	
	No.	%	No.	%
Karex One Limited	184,250,000	17.49	-	-
Maryen Holdings Limited	101,460,400	9.63	-	-
Lam Yiu Pang Albert	64,312,456	6.10	217,177,056 <sup>(5)</sup>	20.62
Lam Jiuan Jiuang	19,087,456	1.81	262,402,056 <sup>(1)</sup>	24.91
Goh Leng Kian	41,468,865	3.94	184,823,750 <sup>(3)</sup>	17.54
Goh Yen Yen	22,062,456	2.09	101,460,400 <sup>(2)</sup>	9.63
Goh Yin	28,952,170	2.75	101,460,400 <sup>(2)</sup>	9.63
Goh Ai Noi	-	-	210,873,556 <sup>(6)</sup>	20.02
Goh Miah Kiat	48,650,097	4.62	184,250,000 <sup>(4)</sup>	17.49

<sup>(1)</sup> Deemed interested by virtue of her interest in AJNA Holdings Limited, Maharani Limited and Karex One Limited pursuant to Section 8 of the Companies Act 2016 and interest held by her spouse pursuant to Section 59 (11) (c) of the Companies Act 2016.

<sup>(2)</sup> Deemed interested by virtue of her interest in Maryen Holdings Limited pursuant to Section 8 of the Companies Act 2016.

<sup>(3)</sup> Deemed interested by virtue of his interest in Karex One Limited pursuant to Section 8 of the Companies Act 2016 and interest held by his spouse pursuant to Section 59 (11) (c) of the Companies Act 2016.

<sup>(4)</sup> Deemed interested by virtue of his interest in Karex One Limited pursuant to Section 8 of the Companies Act 2016.

<sup>(5)</sup> Deemed interested by his interest in AJNA Holdings Limited and Maharani Limited pursuant to Section 8 of the Companies Act 2016 and interest held by his spouse.

<sup>(6)</sup> Deemed interested by virtue of her interest in Karex One Limited and Jeyya Ltd pursuant to Section 8 of the Companies Act 2016.

# Thirty Largest Shareholders

As at 27 September 2022

No.	Name of Shareholders	No. of Shares	%
1.	HSBC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR BNP PARIBAS SINGAPORE BRANCH (A/C CLIENTS-FGN)	178,186,100	16.91
2.	CIMSEC NOMINEES (ASING) SDN. BHD. CIMB FOR MARYEN HOLDINGS LIMITED (PB)	100,000,000	9.49
3.	CIMSEC NOMINEES (ASING) SDN. BHD. CIMB FOR LAM YIU PANG ALBERT (PB)	64,312,456	6.10
4.	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DAVIN THOMAS WEDEL	48,423,500	4.60
5.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR GOH YIN (PB)	28,952,170	2.75
6.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR GOH LENG KIAN (PB)	27,468,865	2.61
7.	CIMSEC NOMINEES (ASING) SDN BHD CIMB FOR JEYYA LIMITED (PB)	25,162,456	2.39
8.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH MIAH KIAT	22,300,000	2.12
9.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR GOH YEN YEN (PB)	22,062,456	2.09
10.	CIMSEC NOMINEES (ASING) SDN BHD CIMB FOR LAM JIUAN JIUAN (PB)	19,087,456	1.81
11.	HSBC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR CREDIT SUISSE (HK BR-TST-ASING)	17,861,800	1.70
12.	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH MIAH KIAT	17,350,000	1.65
13.	CIMSEC NOMINEES (ASING) SDN BHD CIMB FOR AJNA HOLDINGS LIMITED (PB)	12,825,000	1.22
14.	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STANDARD CHARTERED BANK SINGAPORE BRANCH (BJSSGGBR-CL FR)	11,601,750	1.10
15.	CIMSEC NOMINEES (ASING) SDN BHD CIMB FOR KAREX ONE LIMITED (PB)	10,000,000	0.95

## Thirty Largest Shareholders

As at 27 September 2022

No.	Name of Shareholders	No. of Shares	%
16.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ARSHAD BIN AYUB (MY1393)	9,250,000	0.88
17.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR GOH MIAH KIAT (PB)	9,000,097	0.85
18.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH LENG KIAN	9,000,000	0.85
19.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ARSHAD BIN AYUB	6,557,500	0.62
20.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ZALARAZ SDN BHD (MY3113)	5,200,000	0.49
21.	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH LENG KIAN	5,000,000	0.47
22.	MAYBANK INVESTMENT BANK BERHAD IVT (10)	4,917,200	0.47
23.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN TECK SOON (E-SS2)	4,700,000	0.45
24.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR QUEK SEE KUI	4,563,800	0.43
25.	CIMSEC NOMINEES (ASING) SDN BHD CIMB FOR ORBIS REX LIMITED (PB)	4,523,625	0.43
26.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB BANK BERHAD (EDP 2)	4,504,200	0.43
27.	HUANG HWA YONG	4,093,400	0.39
28.	CHOY WEE CHIAP	2,950,000	0.28
29.	TAN TIAN SOON	2,729,900	0.26
30.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR BOEY TZE NIN (PB)	2,693,000	0.26
<b>TOTAL</b>		<b>685,276,731</b>	<b>65.05</b>

# Notice of Tenth Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Tenth Annual General Meeting (“10<sup>th</sup> AGM”) of Karex Berhad (“Karex” or “Company”) will be conducted on a fully virtual basis and live-streamed from Online Meeting Platform at <https://meeting.boardroomlimited.my> (Domain Registration No. with MYNIC - D6A357657) on Monday, 28 November 2022 at 10:00 a.m. for the purpose of considering the following businesses: -

## AGENDA

### Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 30 June 2022 together with the Reports of the Directors and the Auditors thereon.  

**(Refer to Explanatory Note (a))**
2. To re-elect Ms Goh Yen Yen who is retiring in accordance with Clause 97 of the Company’s Constitution, and being eligible, has offered herself for re-election.  

**(Ordinary Resolution 1)**
3. To re-elect Professor Dato’ Dr. Adeeba binti Kamarulzaman who is retiring in accordance with Clause 97 of the Company’s Constitution, and being eligible, has offered herself for re-election.  

**(Ordinary Resolution 2)**
4. To approve the payment of directors’ fees of RM600,000 for the financial year ended 30 June 2022.  

**(Ordinary Resolution 3)**
5. To approve the payment of directors’ benefits (excluding directors’ fees) payable to the Directors of the Company and its subsidiaries up to an amount of RM61,000 for the financial period from 1 December 2022 to 30 November 2023.  

**(Ordinary Resolution 4)**
6. To re-appoint Messrs KPMG PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.  

**(Ordinary Resolution 5)**

### Special Business

To consider and if thought fit, pass the following Ordinary Resolutions with or without any modifications:

#### 7. Authority to Issue and Allot Shares

“THAT subject always to the Companies Act 2016 (“the Act”), Constitution of the Company and approvals from Bursa Malaysia Securities Berhad and any other governmental/regulatory bodies, where such approval is necessary, authority be and is hereby given to the Directors pursuant to Section 75 of the Act to issue and allot not more than ten percent (10%) of the total number of issued shares (excluding treasury shares) of the Company at any time upon any such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit or in pursuance of offers, agreements or options to be made or granted by the Directors while this approval is in force until the conclusion of the next Annual General Meeting of the Company pursuant to Section 76 of the Act (“Mandate”).

## Notice of Tenth Annual General Meeting

THAT pursuant to Section 85 of the Companies Act 2016, to be read together with Clause 54 of the Constitution of the Company, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered new shares of the Company ranking equally to the existing issued shares of the Company arising from any issuance of new shares in the Company pursuant to this Mandate.”

AND THAT the new shares to be issued shall upon allotment and issuance, rank equally in all respects with the existing shares of the Company, save and except that they shall not be entitled to any dividends, rights, allotments and/or any other forms of distribution that which may be declared, made or paid before the date of allotment of such new shares.”

**(Ordinary Resolution 6)**

**8. Continuation in Office of Independent Non-Executive Director**

“THAT approval be and is hereby given to Dato’ Dr. Ong Eng Long @ Ong Siew Chuan who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting of the Company.”

**(Ordinary Resolution 7)**

**9. To transact any other business of which due notice shall have been given in accordance with the Act.**

BY ORDER OF THE BOARD

LIM LEE KUAN (SSM PC NO. 202008001079) (MAICSA 7017753)

TEO MEE HUI (SSM PC NO. 202008001081) (MAICSA 7050642)

ELIZABETH ALLISON DE ZILVA (SSM PC NO. 202008002112) (MAICSA 7030086)

Company Secretaries

Selangor Darul Ehsan

Dated this 28<sup>th</sup> day of October 2022

## Notice of Tenth Annual General Meeting

## Notes:

- 1) *Considering that COVID-19 remains a threat to the health and safety of our shareholders, employees and directors, the Company will continue to leverage on technology advancement by conducting the Tenth Annual General Meeting of the Company (the Meeting or AGM) on a fully virtual basis through electronic live streaming and online remote voting, pursuant to Section 327(2) of the Companies Act 2016 and Clause 59 of the Company's Constitution. The Company will be using Boardroom's LUMI AGM solution at <https://meeting.boardroomlimited.my/> (Domain Registration No. with MYNIC – D6A357657). Please follow the procedures as stipulated in the Administrative Details for the Meeting in order to register, participate and vote virtually.*
- 2) *The conduct of a fully virtual AGM is in line with the revised Guidance Note and Frequently Asked Questions ("The Revised Guidance Note and FAQ") by the Securities Commission Malaysia on 7 April 2022. The revised Guidance Note and FAQ states that in a fully virtual general meeting, all meeting participants including the Chairperson of the meeting, board members, senior management and shareholders are required to participate in the meeting online.*
- 3) *A member entitled to virtually attend and vote at the above Meeting is entitled to appoint a proxy or proxies to exercise all or any of his rights to virtually attend, participate, interact and vote in his/her stead, in accordance with the Administrative Details.*
- 4) *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.*
- 5) *Where a member is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each Securities Account it holds in ordinary shares of the Company standing to the credit of the said Securities Account.*
- 6) *Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds. Where the Exempt Authorised Nominee appoints two (2) or more proxies to attend and vote at the same meeting, such appointment shall be invalid unless the Exempt Authorised Nominee specifies the proportion of his holdings to be represented by each proxy.*
- 7) *The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.*
- 8) *The instrument appointing a proxy must be deposited at the registered office of the Company at 10<sup>th</sup> Floor, Menara Hap Seng, No. 1 & 3 Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia or via electronic means through the Boardroom Smart Investor Portal at <http://www.investor.boardroomlimited.com> (please follow the procedures as stipulated in the Administrative Details) not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.*
- 9) *Shareholders/proxies/corporate representatives are encouraged to refer to the procedures set out in the Administrative Details in order to participate remotely.*
- 10) *Date of Record of Depositors for the purpose of determining Members' entitlement to attend, vote and interact at the Annual General Meeting is 21 November 2022.*

## Notice of Tenth Annual General Meeting

### EXPLANATORY NOTES ON ORDINARY AND SPECIAL BUSINESS:

a) *Item 1 of the Agenda*

*Audited Financial Statements for the financial year ended 30 June 2022*

This Agenda item is meant for discussion only, as the provisions of Section 248 and Section 340 (i)(a) of the Companies Act 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

b) *Ordinary Resolutions 1 & 2*

*Re-election of Directors who retire in accordance with Clause 97 of the Company's Constitution*

No individual is seeking election as a Director at the forthcoming 10<sup>th</sup> AGM of the Company.

Pursuant to Clause 97 of the Constitution of the Company, Ms Goh Yen Yen and Professor Dato' Dr. Adeeba binti Kamarulzaman are standing for re-election as Directors of the Company and being eligible offered themselves for re-election at this 10<sup>th</sup> AGM of the Company.

c) *Ordinary Resolutions 3 & 4*

*Payment of directors' fees and benefits made payable to the Directors*

Section 230(1) of the Act, provides amongst others, that the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting.

In this respect, the Board wishes to seek shareholders' approval at the 10<sup>th</sup> AGM for the payment of directors' fees and benefit payable to the Directors in two (2) separate resolutions as below: -

- (i) Resolution 3 on the proposed directors' fees of RM600,000 in respect of the financial year ended 30 June 2022;
- (ii) Resolution 4 on the payment of directors' benefits (excluding directors' fees) payable to the Directors of the Company and its subsidiaries up to an amount of RM61,000 for the period from 1 December 2022 to 30 November 2023. The benefits comprise the meeting allowance, which will only be accorded based on actual attendance of meetings by the Directors.

d) *Ordinary Resolutions 6*

*Authority to Issue and Allot Shares*

The proposed Ordinary Resolution, if approved, will give flexibility to the Directors of the Company to issue shares up to a maximum of ten per centum (10%) of the issued share capital of the Company at the time of such issuance of shares and for such purposes as they consider would be in the best interest of the Company without having to convene separate general meetings. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

This is the renewal of the mandate obtained from the shareholders at the last Annual General Meeting ("the previous mandate"). The previous mandate was not utilised and no proceeds were raised. The purpose of this general mandate sought will provide flexibility to the Company for any possible fund-raising activities but not limited for further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of borrowings and/or acquisitions.

## Notice of Tenth Annual General Meeting

e) *Ordinary Resolution 7**Continuance in Office as an Independent Non-Executive Director - Dato' Dr. Ong Eng Long @ Ong Siew Chuan*

The proposed Ordinary Resolution is subject to two-tier voting, if approved, will allow the named Director to remain as an Independent Director notwithstanding that he has served a cumulative term of more than nine years as an Independent Director.

The Board after the annual assessment of the independence of Dato' Dr. Ong Eng Long @ Ong Siew Chuan, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, had recommended him to continue to act as an Independent Non-Executive Director of the Company based on the following justifications:-

- 1) He fulfilled the criteria under the definition of Independent Director as set out under Paragraph 1.01 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus, he would be able to function as a check and balance and bring an element of objectivity to the Board;
- 2) He has cumulative knowledge of the Group's business and operations and has made and continue to make valuable contributions to the Group;
- 3) He has devoted sufficient time and attention to his professional obligations for informed and balanced decision making by actively participating in board discussions and provided an independent voice to the Board through his vast experience in various industries; and
- 4) He has exercised his due care during his tenure as an Independent Non-Executive Director of the Company and carried out his professional duties in the best interest of the Company and shareholders.

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# Form of Proxy

**KAREX BERHAD**

(Registration No. 201201034091 (1018579-U))

(Incorporated in Malaysia)



Number of Shares Held	
CDS Account No.	

\* I/We \_\_\_\_\_

NRIC/No./Passport/No./Company No. \_\_\_\_\_

of \_\_\_\_\_

Telephone No. \_\_\_\_\_ being a Member(s) of KAREX BERHAD (201201034091 (1018579-U)), hereby appoint

Name	E-Mail Address and Telephone No.	NRIC/Passport No.	Proportion of Shareholdings (%)
*And/or (delete as appropriate)			

or failing him/her, #THE CHAIRMAN OF THE MEETING as \*my/our proxy to vote for \*me/us on \*my/our behalf at the Tenth Annual General Meeting ("10<sup>th</sup> AGM") of the Company to be conducted fully virtual via online meeting platform at <http://meeting.boardroomlimited.com> (Domain Registration No. with MYNIC - D6A357657) on Monday, 28 November 2022 at 10:00 a.m. or at any adjournment thereof and to vote as indicated below:

Ordinary Resolutions		For	Against
	<b>Ordinary Business</b>		
1.	To re-elect Ms Goh Yen Yen as a Director of the Company		
2.	To re-elect Professor Dato' Dr. Adeeba binti Kamarulzaman as a Director of the Company		
3.	To approve the payment of directors' fees		
4.	To approve the payment of directors' benefits (excluding directors' fees)		
5.	To re-appoint Messrs KPMG PLT as Auditors of the Company		
	<b>Special Business</b>		
6.	Authority to Issue and Allot Shares		
7.	To approve the continuation in office of Independent Non-Executive Director, Dato' Dr. Ong Eng Long @ Ong Siew Chuan		

*Note: Please note that the short descriptions given above of the Resolutions to be passed do not in any way whatsoever reflect the intent and purpose of the Resolutions. The short descriptions have been inserted for convenience only. Shareholders are encouraged to refer to the Notice of Annual General Meeting for the full purpose and intent of the Resolutions to be passed.*

Mark either box if you wish to direct the proxy how to vote. If no mark is made the proxy may vote on the resolution or abstain from voting as the proxy thinks fit. If you appoint two proxies and wish them to vote differently this should be specified.

# If you wish to appoint other person(s) to be your proxy/proxies, kindly delete the words "The Chairman of the Meeting" and insert the name(s) of the person(s) desired

\* Delete if not applicable.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2022

\_\_\_\_\_  
Signature/Common Seal of Shareholder

Notes:

- 1) Considering that COVID-19 remains a threat to the health and safety of our shareholders, employees and directors, the Company will continue to leverage on technology advancement by conducting the Tenth Annual General Meeting of the Company (the Meeting or AGM) on a fully virtual basis through electronic live streaming and online remote voting, pursuant to Section 327(2) of the Companies Act 2016 and Clause 59 of the Company's Constitution. The Company will be using Boardroom's LUMI AGM solution at <https://meeting.boardroomlimited.my/> (Domain Registration No. with MYNIC – D6A357657). Please follow the procedures as stipulated in the Administrative Details for the Meeting in order to register, participate and vote virtually.
- 2) The conduct of a fully virtual AGM is in line with the revised Guidance Note and Frequently Asked Questions ("The Revised Guidance Note and FAQ") by the Securities Commission Malaysia on 7 April 2022. The revised Guidance Note and FAQ states that in a fully virtual general meeting, all meeting participants including the Chairperson of the meeting, board members, senior management and shareholders are required to participate in the meeting online.
- 3) A member entitled to virtually attend and vote at the above Meeting is entitled to appoint a proxy or proxies to exercise all or any of his rights to virtually attend, participate, speak and vote in his/her stead, in accordance with the Administrative Details.
- 4) Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
- 5) Where a member is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each Securities Account it holds in ordinary shares of the Company standing to the credit of the said Securities Account.
- 6) Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds. Where the Exempt Authorised Nominee appoints two (2) or more proxies to attend and vote at the same meeting, such appointment shall be invalid unless the Exempt Authorised Nominee specifies the proportion of his holdings to be represented by each proxy.
- 7) The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
- 8) The instrument appointing a proxy must be deposited at the registered office of the Company at 10<sup>th</sup> Floor, Menara Hap Seng, No. 1 & 3 Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia or via electronic means through the Boardroom Smart Investor Portal at <https://www.investor.boardroomlimited.com> (please follow the procedures as stipulated in the Administrative Details) not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
- 9) Shareholders/proxies/corporate representatives are encouraged to refer to the procedures set out in the Administrative Details in order to participate remotely.
- 10) Date of Record of Depositors for the purpose of determining Members' entitlement to attend, vote and speak at the Annual General Meeting is 21 November 2022.

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Affix Stamp

The Company Secretary  
**KAREX BERHAD**  
(201201034091 (1018579-U))  
10<sup>th</sup> Floor, Menara Hap Seng,  
No. 1 & 3 Jalan P. Ramlee  
50250 Kuala Lumpur

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**KAREX BERHAD**  
(Registration No: 201201034091 (1018579-U))  
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